

FINANCIAL TIMES

US IMPORTS

Pledges on steel leave big doubts

Page 8

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World News

IRA bombs British mainland barracks

Irish Republican Army (IRA) terrorists struck deep into the heart of the English Midlands when bombs caused extensive damage to the barracks of the Parachute Regiment at Shrewsbury, in the first attack on the mainland since August last year.

More than 50 troops of the regiment's 2nd battalion were evacuated minutes before a series of blasts after soldiers challenged two men inside the perimeter fence and raised the alarm. Page 18

Tower report

White House received the final FBI report into allegations of financial impropriety involving the Defence Secretary-designate John Tower. Background, Page 4

EC weapons pact

EC member states approved export controls on eight key chemicals that can be made into weapons. Page 8

Apartheid changes

South Africa's ruling National Party moved away from the extreme rigidities of apartheid by announcing the appointment of a new settlement board. Page 6

Greek PM criticised

Criticism is mounting among senior members of Greece's ruling Socialist party (Pasek) against the leadership of Mr Andreas Papandreu, Prime Minister, over his handling of the scandal involving Mr George Koskotas, former banker. Page 2

Brazil dam protest

A historic protest meeting was called by Indian leaders to halt the Caranau new dam complex in the heart of Brazil's Amazon region. Page 18

Spanish forest fires

More than 100 forest fires swept the Asturias region of Spain and a local fire official said most had been started deliberately.

Mandela bodyguard

Andrew Leretedi Ekangang, a former bodyguard of black nationalist Winnie Mandela, appeared in a Johannesburg court charged with the murder of Maxwell Madonda, another bodyguard.

Chernobyl visit

President Mikhail Gorbachev, Soviet leader, on a tour of the Ukraine, will visit the site of the 1986 Chernobyl nuclear power plant disaster.

Cairo peace talks

Moscow gained further Arab support for its Middle East peace initiative in talks in Cairo between Mr Eduard Shevardnadze, Soviet Foreign Minister, and President Hosni Mubarak of Egypt. Page 18

Earthquake bill

The earthquake in Soviet Armenia in December caused 100,000 roubles (\$16m) worth of damage, said officials.

Prison riot fire

Seven prisoners died and 22 were injured in a fire in a prison riot at San Felipe, northern Venezuela. Inmates were still holding a mother and her baby hostage.

\$1.5bn bridge plan

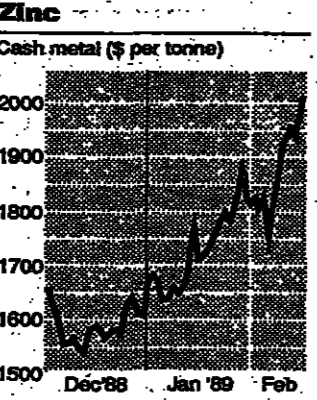
Swedish and Danish officials have resurrected the idea of an 18km, \$1.5bn, bridge between their countries.

Business Summary

GA suffers further setback over NZI

NZI CORPORATION, problem-laden New Zealand insurance and banking group, scrapped a NZ\$290m (\$171m) rights issue aimed at rebuilding its balance sheet, after unearthing accounting problems which caused an unusual NZ\$1m loss in its life assurance operations. The discovery came as a fresh embarrassment for NZI's parent, General Accident, UK insurer, which bought 51 per cent of NZI last summer as part of a strategic push into the Pacific. Page 18

ZINC prices on the London Metal Exchange continued to advance yesterday, with cash high-grade metal closing at a record \$2,005 a tonne. The market went even higher in early trading, before easing.



in a quiet afternoon. Traders said the Presidents' Day holiday in the US contributed to the later quietness and discouraged follow-through interest. Commodities, Page 38

FOREIGN Ministers of the EC gave the European Commission the go-ahead to start negotiations on new trade accords with Poland and Bulgaria, said signs that similar talks may soon start with the Soviet Union. Page 18

AMEC, acquisition Finnish consumer products group, has agreed to buy Wilson Sporting Goods, largest US sporting goods manufacturer, for \$500m from Wesray Capital, New York-based investment company run by Mr William Simon, a former US Treasury Secretary. Page 19

RASS, Britain's biggest brewer, is strengthening its presence in the British wine and spirits market with the formation of a joint venture company with Bacardi International of the US and Martini and Rossi of Italy. Page 13

NATIONALE-Nederlanden, largest insurance company in the Netherlands, announced a rights issue that will raise around F1 750m (\$355.4m) and strengthen the balance sheet following a string of acquisitions. Page 19

COURTAULDS, UK textiles and chemicals group, has severed the last links with its origins, by selling Samuel Courtauld, the only company to bear the name of its original business, to Toray Industries of Japan for \$26m (\$45.5m). Page 15

WEST GERMANY'S trade surplus with Britain soared last year to a record DM22.4bn (\$11.97m), up from DM17.2bn in 1987, as the overall German export surplus with the European Community rose 30 per cent to DM50.8bn. Page 3

CHRYSLER, third largest motor vehicle group in the US, expects revenues from the sales of cars and trucks outside the US to double to \$2bn this year. Page 20

BOND CORPORATION, principal company in the burgeoning corporate empire of Australian entrepreneur Mr Alan Bond, reported after-tax earnings of \$415.2m (\$135.7m) for the six months to December, up 40 per cent on the same period in 1987. Page 21

European Community will withdraw ambassadors from Iran

By William Dawkins and David Buchan in Brussels and Victor Mallet in London

THE European Community's 12 member states are to withdraw their ambassadors and heads of mission from Iran in a concerted protest at Ayatollah Khomeini's repeated death threats against Mr Salman Rushdie, the British novelist.

Foreign Secretary, strongly criticised Iran should close its London Embassy. "There can be no substance in our relationship in... these circumstances," he said.

The diplomatic sanctions start immediately and continue until Iran declares "its respect for international obligations and renounces the use or threatened use of violence," according to a formal statement from the meeting of Foreign Ministers. The ministers also agreed to suspend high-level official visits to Iran.

feelings of all peoples," the ministers underlined their determination to defend freedom of expression within their territories.

Mr Francisco Fernandez Ordóñez, Foreign Minister of Spain which currently holds the EC Presidency, will inform both the Iranian Government and the UN of the EC action.

drawn its chargé d'affaires from Tehran. Britain, which with Italy has the next largest share of EC-Iranian trade, will be calling back its chargé d'affaires only weeks after he was posted as part of the gradual upgrading of diplomatic ties.

Gold Fields rejects Minorco bid valuing group at £3.2bn

By Clay Harris and Kenneth Gooding in London

MINORCO, the South African-controlled investment company, yesterday renewed its bid for Consolidated Gold Fields with an offer valuing the UK mining and construction materials group at £3.2bn (\$5.7bn).

Sir Michael Edwardes, Minorco chief executive, yesterday launched a pre-emptive strike. "Any price must focus on the earnings performance actually achieved," he said.

reminded that Gold Fields' directors had sold shares in their company at prices below £10 each during the past 14 months, Mr Agnew said: "This is the argument of the kindergarten or the gutter. People buy and sell shares for all manner of reasons. It is absurd to suggest that, because a director has sold a few shares at a certain price, he could not argue that his company is not worth more."



Looking ahead: Mrs Margaret Thatcher, British Prime Minister, with Chancellor Helmut Kohl in Frankfurt yesterday

Thatcher opposed to missile reductions

By David Marsh in Frankfurt

MRS Margaret Thatcher, the British Prime Minister, yesterday reaffirmed to the West German Government her opposition to cuts in East and West short-range nuclear missiles in Europe.

Mr Kohl agrees that Nato should keep its weaponry "up to date," but is sticking to his view that a clear decision on Lance is not yet necessary.

EC, Japan to share fusion research

By William Dawkins in Brussels

THE European Community and Japan yesterday agreed to pool information on research into nuclear fusion, the first bilateral accord by Brussels and Tokyo in the scientific field.

The three-year accord will involve the exchange of research scientists in fusion, a technology which holds out a promise for a cheaper and safer form of nuclear energy than the currently used fission process.

Japan had been pressing for the link in recognition of the EC's leadership in fusion research, and the accord could be followed in the next few years by a similar agreement with the Soviet Union, a European Commission official said.

Big three Swiss banks all had financial losses in London

By David Lascelles, Banking Editor, in London

ALL of the big three Swiss banks have lost money in London in recent years, not just Union Bank of Switzerland, which disclosed losses of \$115m (\$302.4m) in its Phillips & Drew subsidiary last week.

stockbroker, Buckmaster and Moore, in its 1987 annual report.

able to impose tougher sanctions on "mystery" stakeholders, under new rules set out yesterday by the International Stock Exchange, writes Nikki Tait.

According to records filed at Companies House in London and reports of stock analysts, the three banks have lost nearly \$20m, in addition to the P&D losses, since 1986. Further losses are also believed to have been incurred through their US securities subsidiaries.

An official at the Swiss Bank Commission in Bern said yesterday that the banks filed consolidated accounts to the regulatory authority, but it was up to them what they disclosed publicly.

The ISE has agreed to bolster the action which a listed company may take by means of its articles of association when there is non-compliance with a notice sent out under section 212 of the Companies Act. Such notices, posted by the company itself, require shareholders to disclose the beneficial ownership of their holdings in the company.

In 1987, UBS, the largest Swiss bank, made additional losses of \$29.9m in its London-based Euromarket subsidiary and in the same year, Swiss Bank Corporation's London arm lost \$27.7m, including costs associated with the purchase of Savory Mills, the UK stockbroking firm.

The losses show that Swiss banks are not immune to the severe competitive pressures which have swept the London markets since the regulatory changes brought on by the Big Bang. The banks are due to begin reporting their 1988 results later this week.

Under the new rules, the sanction may be imposed after 14 days provided that the Swiss disclosures, Page 24

MARKETS

Table with columns for Stock Indices (New York, Dow Jones, S&P Comp, FT-SE 100, Nikkei Ave, Tokyo, Frankfurt, Commerzbank, London, DM1.8435, FF16.2800, SF1.5970, Y125.5), Dollar (DM1.8377, FF16.2511, SF1.5595, Y125.5), Interest Rates (Federal Funds, 3-month Treasury, Long Bond), and Bonds (3-month interbank, 3-month 12 1/2% (same)).

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EUROPEAN NEWS

Uneasy calm after Finland's SDP storm

Olli Virtanen in Helsinki reviews the ramifications of a party's politics

"FINLAND," said one of the country's leading political analysts last week, "is now so stable that it can afford to let its most experienced and respected Foreign Minister depart and replace him with a man who has no foreign policy experience whatsoever."

Finland may well be stable but the Social Democratic Party (SDP), which orchestrated the move and replaced Mr Kalevi Sorsa with Mr Pentti Paasio, the party chairman, creating a mini government crisis in the process, is certainly not.

As Finland's biggest party - with 56 seats in the 200-strong parliament (Eduskunta) - the SDP has been the stabilising force in Finnish politics for the past two decades. Its influence has spread much wider than the numbers would imply and with pragmatism constantly gaining popularity over socialistic dogma in the party ranks, the SDP has virtually become a "state minder" party.

That, at least was the case till two years ago when Mr Sorsa, Finland's longest-serving Prime Minister and Foreign Minister, resigned as chairman of the SDP.

In April 1987 Finland got an historic coalition Cabinet, led by the conservatives and the SDP. Mr Sorsa became Foreign Minister and the former SDP

party secretary, Mr Erkki Liikanen, was appointed Finance Minister.

Mr Sorsa and Mr Liikanen, who had run the SDP for years, assumed independent - and influential - roles in the Cabinet while their respective successors, Mr Paasio and party secretary, Ms Ulpu Iivar, often found themselves at odds with the SDP group of ministers.

The SDP's dual role created constant friction. The party headquarters frequently opposed the Government's plans agreed by the SDP ministers. The situation was to be corrected by bringing Mr Paasio into the Government. However, none of the party's ministers was willing to step down until Mr Sorsa announced at the end of January that he would volunteer.

In a surprise move, the SDP subsequently decided to propose that Mr Paasio should succeed Mr Sorsa instead of a shuffle among the SDP ministers, which would elevate a more experienced person as foreign minister and deputy prime minister leaving the newcomer a less prestigious portfolio.

Mr Sorsa's move further polished his image as the country's leading politician and a likely successor to Mr Mauno Koivisto, the Finnish President, should he decide not to run for a third six-year term in



The old guard of the SDP; Kalevi Sorsa (left) and Erkki Liikanen

1994.

But even Mr Sorsa's withdrawal was not enough to solve the SDP's problems. On the contrary. The party leadership decided to offer him the position of the Speaker of Parliament as a consolation prize. This started another round of "musical chairs" within the party as the previous Speaker, Mr Matti Ahde, was to be recompensed with a ministerial post. The SDP executive committee went on to plan a shuffle which involved two more SDP ministers, including the ouster of one of them.

The party's group of ministers and members of parliament, not to mention the rank



The old guard of the SDP; Kalevi Sorsa (left) and Erkki Liikanen

and file, raised a revolt against the executive committee's plans which were seen as naked power politics with little regard to the SDP's democratic traditions. A day later Mr Paasio announced that no further changes would be made and he accepted to become a backbencher in the Parliament.

Few observers believe that Mr Paasio's new portfolio will completely solve the party's internal problems. As a newcomer he is yet to learn the ropes of the Cabinet. In running the country's foreign policy, Mr Paasio will take orders from the President as his own initiatives. Finland was just

elected as member of the United Nations Security Council, a position which could offer opportunities for raising the country's profile.

It is widely expected that Mr Sorsa will continue to wield influence as Speaker, not only in the Parliament but also within the party. And he could not have a more ideal position for running for a higher office in the future.

As Speaker of Parliament, Mr Sorsa is Finland's second ranking politician after the President and he is saved from getting his hands dirty in daily politics. If he is to leave that post before the presidential election in 1994, Mr Sorsa can assume his position as a member of the board of the Bank of Finland, the stepping board from which most of Finland's presidents have been elected for several decades.

Initial expectations that the "reborn" SDP would probably not create a major government crisis have given way to a highly public and often contentious debate on the fate and future of the four-party coalition Cabinet. Since the reshuffle, the Government has suffered constant strains over several issues, notably tax reforms and housing policy. Some Finnish analysts are even counting the days left for the Cabinet.



President Khamenei inspects a guard of honour at Belgrade airport yesterday with Mr Ralf Dizdarevic, his Yugoslav counterpart.

Iran President in Yugoslavia

By Judy Dempsey in Vienna

THE ARRIVAL yesterday in Yugoslavia - home to 4m Moslems - of President Ali Khamenei of Iran coincided with the announcement by the country's publishers that they would proceed with publication of "The Satanic Verses" despite the death threats by Ayatollah Khomeini against its author, Mr Salman Rushdie.

In what appears to be a defiant attitude among Yugoslav publishers, several yesterday said they were competing to buy the translation rights from a West German publisher who holds the rights for Eastern and south-eastern Europe. Yugoslavs have already had

a chance to read parts of the novel in serial form in Borba, the Communist party daily.

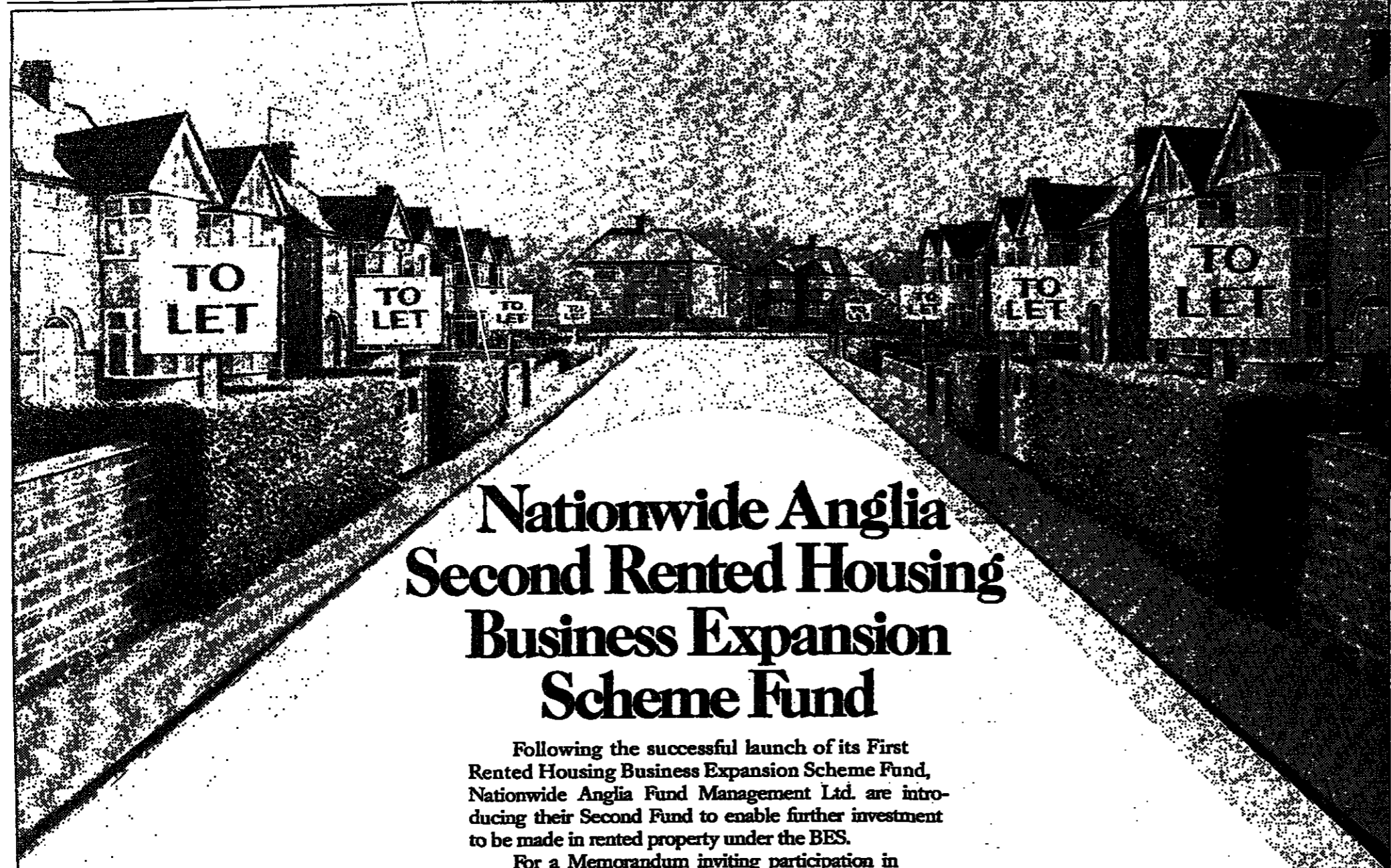
Journalists in Belgrade say that Borba intends to continue running the serial as President Khamenei travels today to Sarajevo, the capital of Bosnia-Herzegovina, the heartland of Europe's largest and oldest Moslem community.

Over the past few years, Yugoslavia's Sunni Moslems have maintained a considerable distance from the Iranian Shi'ites. At the same time, they seem increasingly pre-occupied with secular and not spiritual issues.

Last week, some 500 imams held a protest in Sarajevo, demanding more democracy in Moslem community affairs and accused current Moslem leaders of being appointees of the Communist authorities.

President Khamenei goes to Romania tomorrow on the second leg of a trip which is aimed at closer economic co-operation and bilateral ties.

So far, the leaders of Yugoslavia's Moslems, who belong to the Sunni, and not the Shi'ite fundamentalist community which dominates Iranian politics, have refrained from commenting on the novel. But it is understood they will discuss it later this week.



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Tide of disapproval laps Papandreou

By Andriana Ierodiakonou in Athens

OPEN CRITICISM is mounting among senior members of Greece's ruling Socialist Party (Pasok) against the leadership of Mr Andreas Papandreou, the Prime Minister, over his handling of the political crisis caused by the scandal involving Mr George Koskotas, the former banker and press baron.

In a memorandum sent to Mr Papandreou last weekend, Mr George Alexander Mangakias, a former Justice Minister with a discredited anti-junta record, castigated the Government for dragging its feet over the investigation into the Koskotas scandal, as well as for seeking to distract public attention by fomenting extremism in a manner detrimental to Greece's democratic political fabric.

Mr Koskotas, who enjoyed close relations with the Government, was charged with fraud last October and fled to the US where he was arrested. After vetoing the idea twice previously, the Socialists last

week bowed to pressure and agreed to send a parliamentary delegation to interview him.

"The area of political ground represented by Pasok is not the property of any one individual or group of individuals," Mr Mangakias wrote in a clear attack on Mr Papandreou's leadership.

In a similar vein Mr Costas Simittis, a former Economy Minister who masterminded Greece's 1985-1987 stabilisation programme, warned in a weekend speech that "those who do not observe the rules of individual or social morality cannot belong to our party."

Sections of Greek society have also been scandalised in recent months by the Premier's open extramarital liaison with a much younger woman. An Athens area poll released last week showed the once super-charismatic Mr Papandreou to have slipped to fifth place in the preference of Pasok voters.

Minister champions market socialism for Sweden

By Robert Taylor in Stockholm

SWEDEN'S powerful Finance Minister, Mr Kjell Olof Feldt, has further enlivened the debate among the ruling Social Democrats about the future of their ideology with a vigorous declaration of his commitment to market socialism.

Writing in the latest issue of the party's theoretical journal under the title "What should we do with capitalism?", he lays down his commitment to private enterprise, the benevolent power of market forces and the need for the party to face economic realities.

Mr Feldt asserts that the market economy, which he defines as decentralised economic decision-making, free competition in an open market and freedom of consumer

choice, has won a total victory throughout the world against the only known alternative of the planned society.

While recognising that public intervention is necessary to ensure a better environment and full employment, he suggests that the market economy's capacity for flexibility and growth has "unquestionably" played a larger role in the abolition of poverty and the creation of working class affluence than any governmental interference in the distribution system.

In blunt words Mr Feldt calls on the Social Democrats to abandon their remaining anti-capitalist and class war rhetoric that is still used in the inner-party debates.

Protests fail to stop trial of eight Czech dissidents

By Leslie Collin in Prague

AN AVALANCHE of protests from East and West has failed to distract the Czechoslovak authorities from preparations for today's trial of eight dissidents, including Mr Vaclav Havel, a leading playwright and human rights campaigner who has been in detention for more than a month.

Mr Havel, a founder of the Charter 77 movement, is to be tried in Prague's Third District Court on charges of "inciting" a banned demonstration in Prague last month and of obstructing law enforcement officers.

He attempted to place flowers at the statue of Saint Wenceslas on the 20th anniversary of the death of Mr Jan Palach, a student who set himself on fire in protest against the Soviet-led invasion.

The playwright faces a maximum two-year sentence. But in view of a flood of international protests, Western diplomats said he was likely to receive a lighter sentence.

Members of the Czechoslovak opposition feared that two other defendants, Ms Jana Petrova and Mr Otokar Veverka, could be imprisoned for "hooliganism."

Apart from the strong inter-

est in the case shown by Western governments, the Czechoslovak leadership was also coming under pressure from the Soviet Union.

An unusually outspoken commentary by the Soviet press agency, Novosti, reported yesterday in Rude Pravo, the Czechoslovak Party newspaper, showed growing Soviet embarrassment over the 1968 occupation and the "normalisation" period of which Mr Havel was a victim.

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Handwritten note: "No political"

EUROPEAN NEWS

W German trade surplus with UK hits record

By David Marsh in Frankfurt

WEST GERMANY'S trade surplus with Britain soared last year to a record £22.4bn (£12.7bn), up from DM17.2bn in 1987, as the overall German export surplus with the rest of the European Community rose 30 per cent to DM80.8bn.

The figures for last year were published yesterday by the Bundesbank as Mrs Margaret Thatcher, UK Prime Minister, visited the central bank's headquarters in Frankfurt for lunch with Mr Karl Otto Pöhl, Bundesbank president.

She and Mr Pöhl discussed prospects for closer harmonisation of European economies and the outlook for European monetary union, at present being studied by a committee of EC monetary experts. Mr Pöhl believes that a form of convergence towards *de facto* monetary union is already under way in the EC as a result of closer integration of markets and progressive scrapping of exchange controls.

Mr Pöhl, however, regards as a growing political problem the task of winning acceptance from other EC countries of a Community-wide monetary policy based on policies practised by the Bundesbank.

EC backs controls on chemicals for weapons

By David Buchan in Brussels

EC MEMBER states yesterday approved export controls on eight key chemicals that can be made into weapons.

The move was requested by West Germany, essentially as political cover for its embarrassment at allegations that West German companies have helped build a chemical weapons plant in Libya.

The new regulation, which will come into force once it is published in the EC's official journal in the next few days, bans export of the eight chemicals "if there is reason to believe the products in question will be used to make chemical weapons or are likely to be delivered directly or indirectly to belligerent countries or to zones of serious international tension."

It has little further practical effect than chemical export curbs already operated by member states as members of the so-called Australia group which has controlled the eight chemicals for some time.

In order to minimise Commission involvement in, and the Community character of, yesterday's accord, EC foreign ministers made clear that the regulation was only technical implementation of the decision they took last week in Madrid in a "political co-operation" meeting, at which the Commission has no formal standing.

Any decision to extend the chemical control list would be taken in the same forum.

Ministers yesterday gave their blessing to the new trade in the transatlantic trade war negotiated by the Commission with the US over the weekend. This provides for a 75-day cooling off period during which a joint task force will study ways of easing the impact of the EC ban on US hormone-treated meat and scaling down US retaliation.

Italy's ruling party turns again to Forlani

By John Wyles in Rome

IT WAS an ugly, but supremely testing moment for a politician. Wave upon wave of whistles and catcalls from a large and vociferous minority of his audience seemed determined on Sunday morning to upset Mr Arnaldo Forlani's keynote speech as the party's newly designated leader to the Christian Democratic Party (DC) congress.

The elegant 63-year-old veteran of many such occasions rocked slightly on his heels, looked to his right and left, and, taking advantage of the unmitigated pause in the cacophony, declared that "to be a true and serious thing, renovation must involve style and good behaviour."

While the magisterial reproach may lose in translation, it was effective on that very Italian occasion. At one and the same time, Mr Forlani had identified the troublemakers with the man he was effectively ousting, Mr Ciriaco De Mita, the Prime Minister, cast heavy doubt on the latter's claims to have made progress in renovating Italy's dominant

party, and reminded the world that "style and good behaviour" have always been associated with the Forlani name.

His election as party secretary is to be formally confirmed by the congress tomorrow but Mr Forlani's succession to Mr De Mita has been in little doubt since leaders imposed his nomination on a reluctant prime minister on Friday evening.

Mr Forlani owed much of his early rise in the party during the 1960s to Mr Amintore Fanfani, Budget Minister, aged 81 and father of the DC faction system. Mr Forlani enjoyed a first, youthful four-year term as secretary from 1969 as a symbolic affirmation of generational change from the then ageing top group which had comprised his mentor Mr Fanfani and Mr Aldo Moro.

Since then, the party has frequently turned to him either as a unifying figure in the absence of a majority faction, as on this occasion, or when in extreme political difficulty. His mix of self-deprecating tough-



Forlani: stylish.

ness with the talent for mediation required of every DC "thoroughbred" earned him the enduring tag from one journalist of "rabbit-werewolf".

In 1981-82 he briefly headed a government which was brought down by the scandal in which many senior politicians were caught up in the sinister P2 masonic lodge.

Within a year he was Deputy Prime Minister to Mr Bettino Craxi, the Socialist Party leader, and their subsequent four-year partnership bred an unforeseen mutual liking and regard which could have direct bearing on future political developments.

Almost to his disadvantage, given the hostility and rivalry between the two coalition parties, Mr Forlani has come to be regarded as Mr Craxi's "sleeper" inside the DC.

As the man who derives great power from guaranteeing the DC a governing majority, Mr Craxi has fewer anxieties that Mr Forlani, unlike Mr De Mita, might try, *in extremis*, to cut him down to size by striking bilateral deals with the Communists. However, it remains to be seen how he will respond to Mr Forlani's call on Sunday for a more formal political alliance than the policy programme which is the binding of the De Mita coalition.

It is not only Mr Forlani's management of coalition politics which is likely to mark the change from the De Mita

approach, it will also be seen in his running of the DC.

He and other members of the party's ruling class immensely disliked the centralised power which Mr De Mita accumulated and exercised through placement in the party, the government and the public sector. In sharing out decisions, jobs and resources, he has promised to operate "collegially" and (this would be revolutionary) to leave the task of appointments to public sector jobs to the appropriate parliamentary committees.

Public policy, however, will be left to the Government. Responding to Mr De Mita's call for solid support for the Government he is leading, Mr Forlani told him on Sunday that the De Mita coalition "will never be put in question by DC manoeuvres."

Even so, such manoeuvres have brought down governments led by Christian Democrats and, although Mr Forlani sounded like a new broom on Sunday, there is little in his pedigree to suggest that he knows how to be one.

Shadow of Chernobyl over Gorbachev visit to Ukraine

By Quentin Peel in Moscow

MR MIKHAIL GORBACHEV set out yesterday to face a potentially hostile reception in the Ukrainian Republic, where rising nationalism and continuing anxiety over the consequences of the Chernobyl nuclear disaster have aroused public opinion.

Only weeks after the politburo announced plans to spend an extra 248m (€220m) to deal with the fall-out from the 1986 accident, Mr Gorbachev is to pay his first visit to the stricken plant, where one giant reactor is now permanently encased in concrete.

The potential health hazards are an important issue in the Ukraine, with a new report

only last week of abnormal numbers of deformed farm animals being born well outside the original evacuation zone. Also at least 20 more villages in neighbouring Byelorussia are to be evacuated because of the continuing high levels of fall-out north-west of the plant.

Mr Gorbachev faced some sharp questioning from crowds in the streets of Kiev, the Ukrainian capital, and used the opportunity to promise a review of plans for a nuclear power station in the Crimea. He said Moscow had decided to invite, as advisers, American scientists who had helped build nuclear plants in Japan.

The Soviet authorities would

follow their advice on whether to continue building a nuclear plant in an area of seismic activity and a popular tourist region. His announcement could go some way to defuse the widespread hostility in the Ukraine towards nuclear power stations in the wake of the Chernobyl disaster.

Mr Gorbachev's trip is clearly intended as a new exercise in reassuring public opinion, which has united the Ukraine and Byelorussia in deep hostility to new nuclear power plants, and suspicion of the central government which continues to propose them.

The environmental concerns have fuelled re-emerging

nationalist sentiment in the Ukraine, the most populous republic in the USSR after the Russian Federation, putting the conservative leaders of the local Communist Party under pressure.

Mr Gorbachev was greeted on arrival in Kiev, the Ukrainian capital, by Mr Vladimir Shcherbitsky, the veteran party leader in the republic, who is the only member of the ruling politburo to have survived from the so-called "stagnation era" of Mr Leonid Brezhnev.

The fact that he has kept the Ukraine under control during the first three years of Mr Gorbachev's perestroika is seen as

the key factor behind his survival, but the Soviet leader must be worried about how long a centralised and autocratic style can keep the nationalist demands in check.

The Soviet leader's public speeches will be carefully analysed for any hint of his attitude to Mr Shcherbitsky, who is one of only two politburo members required to stand for a contested election to the new national Congress of People's Deputies.

All the others, except Mr Vitaly Vorotnikov in the Russian Federation, are guaranteed of election on the official Communist party list.

Spanish inflation surges

By Peter Bruce in Madrid

THE SPANISH Government's ambitious inflation target of 3 per cent for 1989 was severely dented yesterday by provisional official figures showing that the consumer price index rose a full point in January, raising new fears that interest rates will have to go up to contain credit.

January's figures will badly damage the Government's efforts, in the face of union demands for a leftward shift in economic policy, to demonstrate that it can contain the cost of living while maintaining high economic growth.

Madrid forecast 3 per cent inflation for last year and was forced to revise this to 5 per cent in October. It ended the year on 5.6 per cent. Inflation worries prompted the Government to impose a tough credit squeeze at the end of January.

Danish pay accord eases labour tension

By William Dawkins in Brussels

THE PROSPECT of a serious labour market conflict this spring in Denmark has receded following a collective agreement for private sector office and shop workers, writes Hilary Barnes in Copenhagen. The deal makes an award of about 1 per cent but, after allowing for wage drift and a half-hour reduction in the working week, agreed earlier, it may put up hourly wage costs by at least 3 per cent, says the union.

Channel rail go-ahead

By William Dawkins in Brussels

BRITISH and French railways yesterday got the green light from the European Commission to provide joint services through the Channel tunnel.

Cross-channel services provided by SNCF, the French state-owned rail group, British Rail and Eurotunnel, the Anglo-French group, have been exempted from European Community competition restrictions for three years. Brussels is also considering extending the exemption.

The Commission will allow the three companies to set joint traffic forecasts, common utilisation rules for the tunnel and to share the cross-channel rail market. If full agreements would help improve international transport, boost business links between all 12 EC partners and stimulate railways' technical progress.

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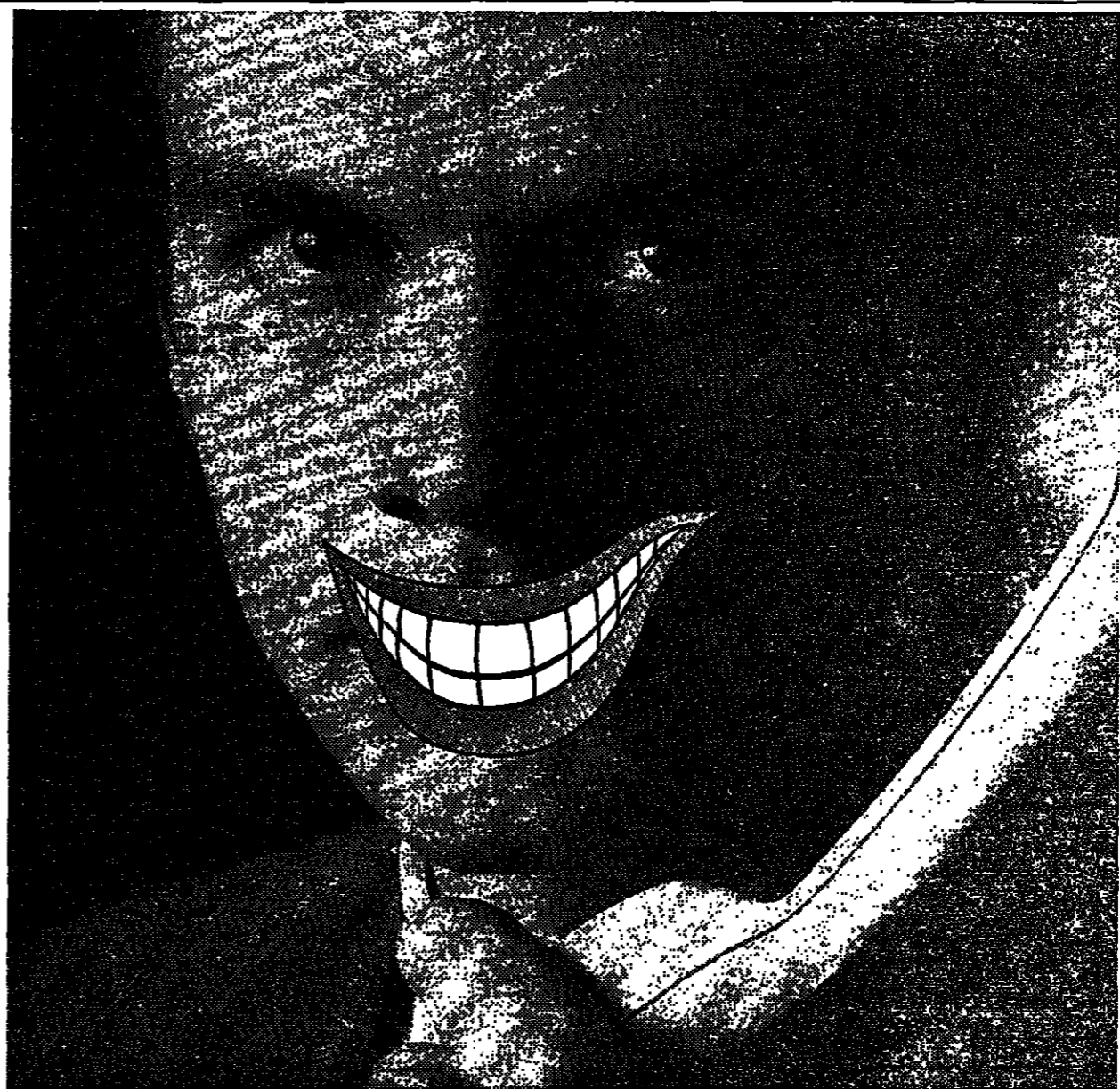
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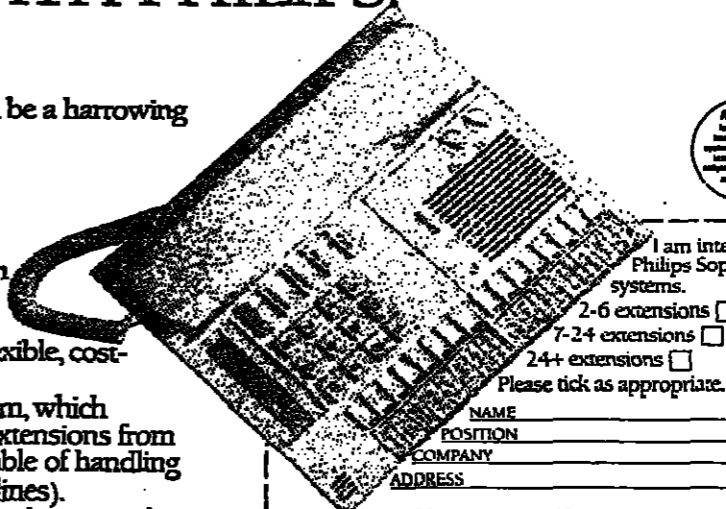
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AMERICAN NEWS

Tower waits for Nunn to cast his vote

Peter Riddell reports that Congress is likely to follow the influential senator's lead

THE fate of Mr John Tower's nomination as US Defence Secretary now lies mainly in the agonised deliberations of Senator Sam Nunn, a close colleague for many years in the past and now chairman of the Senate Armed Services Committee.

It was Mr Nunn's decision two weeks ago to raise questions over Mr Tower's personal fitness that first cast doubt on what had been seen as certain confirmation by the Senate of the nomination. His vote will now be the biggest single influence on the outcome - in committee and the full Senate.

Mr Nunn, aged 50 and in his 17th year as a senator for Georgia, not only has a big say over US defence policy but has also become one of the most powerful Democrats in Congress. When he speaks, people listen. An unsolicited testimonial came a few years ago from a young Republican colleague on the Armed Services Committee. "Sam is very much the key vote on defence matters. He brings along a certain number of senators willing to follow his advice." The speaker was Senator Dan Quayle, now Vice-President.

Mr Nunn is often jokingly referred to as the Pope of Defence. His views - whether on arms control, defence procurement or burden-sharing within the Nato - are often treated as almost *ex cathedra* pronouncements. By contrast, the thoughts of Senator Claiborne Pell, chairman of what is by tradition the equally power-

ful Senate Foreign Relations Committee, are largely ignored.

Senator Nunn has an aura of infallibility. Like Mr James Baker, Secretary of State, he has been until recently a figure who can do no wrong in the view of most Washington pundits.

The source of this undoubted influence is 50 per cent asset and 50 per cent deficit, according to Mr Loren Thompson, deputy director of the National Security Studies Programme at Georgetown University in Washington. The asset side is that Mr Nunn knows what he is talking about. He is much more than a legislative power broker and has devoted much time to mastering the minutiae of defence policy.

Mr Nunn has been able to do this because he has a safe seat. He won 80 per cent of the vote even in the generally Republican year of 1984. So, unlike many of his colleagues, he does not have to worry about a multitude of competing constituency interests. He has been able to concentrate.

Georgia has long had large defence interests and Senator Nunn has followed the steps of his great-uncle Carl Vinson, and of Richard Russell (one of the great southern voices in the Senate), long-serving chairmen of the House and Senate armed services committees respectively.

The default side of Mr Nunn's influence lies in the fact that there were two vacancies in defence policy-making.



Senator Sam Nunn: known as the Pope of Defence

The first was a general lack of Democratic interest in defence in the post-Vietnam era. The second was created by Mr Casper Weinberger's *laissez-faire* style of running the Pentagon from 1981 until last year. In the absence of a clear lead from the administration on priorities over weapons systems, Senator Nunn stepped in, hoping to impose discipline.

His style has been painstaking, assessing the evidence, cautious about committing himself, so when he makes known his views in his flat southern drawl they carry maximum weight. They did, for example, in early 1987 when he reshaped the debate over the strategic defence initiative and arms control.

During a period when the Democrats have been floundering

in presidential contests, he has been on everyone's lists as vice-presidential timber, an option he declined last year.

However, Mr Nunn has been clearly among the right of his party, supporting Mr Reagan more than any other Democratic senator during the early 1980s. He has been sharply criticised by party liberals and feminists for some of his stands. Although he had an ambiguous record on civil rights early in his career, he is now strongly supported by black leaders in Georgia.

Senator Nunn has also been broadening his range of interests. He was closely involved in setting up the Democratic Leadership Council to pull the party back to the centre. He has also been the leading advocate of national service under which young people would do military or civilian public service in return for education grants.

The intriguing question now is why such a cautious and conventional figure - a believer in the Senate as a club of colleagues - should challenge conventions to produce such a long scrutiny of Mr Tower. No cabinet nominee, let alone a former Senator (Mr Tower represented Texas), has been rejected for 30 years. There is a feeling of "let him who is without sin cast the first stone" among many in Washington about the value of questioning someone's personal life.

The answer lies in Mr Nunn's seriousness, even priggishness at times. For all his ability to joke with his southern rural constituents, he takes a moral view. Being passionately committed to US defence interests, he is concerned about whether alleged drinking indiscretions, and other personal peccadilloes, as well as large payments made to Mr Tower by defence contractors, would compromise his position as Defence Secretary.

The nomination has become a partisan issue, with no Republicans having come out in opposition, whatever their considerable private doubts. The outcome remains finely balanced with many, probably most, Democratic senators waiting to follow Mr Nunn's lead.

Some conservatives have recently attacked Senator Nunn for wanting to run the Pentagon from Capitol Hill by blocking or weakening the strong Mr Tower.

Indeed, the Tower affair aside, Mr Nunn's broader views, such as wariness about Soviet intentions, are almost identical to those of such key administration officials as Mr Brent Scowcroft, the president's National Security Adviser. So the senator's power also offers the chance to revive a bipartisan consensus on security issues.

One colleague recently recalled a saying of Lyndon Johnson, when Senate majority leader in the 1950s, that the body was composed of whales and minnows. Senator Nunn is very much a whale.

Argentina prepares new exchange rate measures

By Gary Mead in Buenos Aires

THE Government of President Raúl Alfonsín yesterday closed all foreign exchange facilities as his economic team prepared yet another series of measures on exchange rates.

These were the latest moves in Mr Alfonsín's two-week battle with one of the most serious financial crises faced in his government's five years of office in Argentina.

Black market exchange offices continued to function throughout the day yesterday, despite the closure of all official facilities.

The latest package is expected to include measures designed to placate industry - with which the Government has a tenuous price-restraint agreement - and the agricultural sector by permitting both to increase the volume of exports they may transact

through the two higher exchange rates now in operation, and also by a possible further lowering of government fixed rates.

The Government closed banks for 24 hours on February 6, before announcing measures designed to bring down interest rates, which reached 22 per cent in January, and to keep monthly inflation below 10 per cent.

Those measures included a 6 per cent devaluation for February at an officially set "commercial" rate, the introduction of a middle-tier rate fixed at 25 per cent above the commercial, and the reintroduction of a free-floating rate. All this was followed at once by a 25 per cent black-market depreciation of the austral.

Since last August the Government has forced farmers to

use the commercial exchange rate for all exports. They have become angry at the serious over-valuation of the austral. The February 6 exchange rate adjustments let the agricultural sector transact 10 per cent of its products through the two higher exchange rates. That did not satisfy the farm sector, a powerful lobby whose political support is crucial to any Argentine government.

The Government is also under pressure from industry, concerned that prices have dropped far behind repressed inflation.

One factor delaying the new measures yesterday was intense haggling behind the scenes by government, farming representatives and industrialists, given an extra edge by the presidential election being now 80 days away.

Debtors await US review

By Stephen Fidler, Euromarkets Correspondent

THIS US review of its strategy towards the developing country debt troubles is threatening to create a log-jam of debtors waiting to benefit from any new initiative, according to commercial bankers.

The US Treasury was to present an interim report on Third World debt on Thursday but this has been delayed for a few weeks. The US is widely assumed to be ready to go ahead with concrete proposals in time for the interim committee meeting of the International Monetary Fund in Washington early in April.

The Mexican Government, which had intended to move swiftly with its request for a credit package including new financing, debt reduction and a new rescheduling, has now decided to await the outcome of the review, bankers say.

Mexico has been expected to be the main beneficiary of any US move. Mexican negotiators were in Washington this month discussing a possible \$1.5bn (\$2500m) in loans from the World Bank. Talks were also held with officials of the IMF. Formal meetings with commercial banks have yet to be held.

In the meantime, bankers say requests to the US for bridging finance from Brazil and Venezuela have been turned down.

Concern grows among banks that the Brazilian debt deal signed last year could unravel. The price of Brazilian sovereign debt on the secondary market slumped four cents to about 28 cents on the dollar on Friday after President José Sarney was reported to have told his Congress that, without a fresh injection of foreign funds, the country did not have the money to make March interest payments to banks and the IMF. Yesterday, prices recovered modestly but the spectre of another Brazilian debt moratorium is worrying bankers.

A long-running dispute with the World Bank over a power sector loan and the failure to meet IMF economic targets is holding up disbursement of its second \$600m tranche of bank loans and there appears little chance of a quick resolution. Any change in the conditions of the bank loan would require a full waiver from all Brazil's 300-plus bank lenders.

Mr Sarney is to meet Pres-

dent George Bush this week in Tokyo, at the funeral of Emperor Hirohito, and debt is said to be on the agenda. There are hopes that the Japanese Export-Import Bank will announce \$600m in new funds for Brazil during his visit.

Meanwhile, bankers say Venezuela, whose debt negotiators met bankers in New York late last week, will need short-term finance while it works out a fuller credit package with foreign creditors.

Reserves are low and the country urgently needs funds after the widely-expected economic programme, including what amounts to a devaluation, unveiled by new President Carlos Andrés Pérez on Thursday night. It is seeking some \$5bn from abroad this year, including \$2bn to \$2.5bn from creditor banks.

Unlike Mexico, whose foreign reserve position appears to have stabilised for now, despite concern over its rapidly worsening current account position, Venezuela does not have the time to wait for the outcome of the US review, bankers say.

Venezuelan devaluation hits importers, Page 8

Nicaragua reaffirms pledge on elections

By Tim Coone in Managua

THE RULING Sandinista party in Nicaragua has reaffirmed its commitment to "free and honest elections" in 1990 at the weekend, the results of which "we will firmly respect."

After a two-day conclave of the party leadership to discuss the results of last week's presidential summit in El Salvador, the nine-man "National Directorate" announced: "In February 1990 we will once again have free and honest elections. The world will be witness to our promise. On that date our people will choose their

representatives and we will firmly respect their choice."

At last week's summit, President Daniel Ortega promised that there would be reforms to the new electoral law in Nicaragua and to regulations governing the media to ensure that all parties would be able to contest the elections "under equal conditions."

The summit was considered an important step forward towards reconciliation between the Government and opposition in Nicaragua and towards a regional peace agreement.

The last elections in Nicaragua were held in 1984, and under a proportional representation system were widely considered to be well organised and to have accurately reflected the way people voted.

The US Administration however, which was financing and organising the "Contras," condemned the elections and further stepped up the war to defeat the Sandinista Government.

Last year, the Sandinistas introduced a new electoral law, limiting the possibilities of

small parties winning seats in the 96-seat National Assembly. Foreign financial support to political parties for their electoral campaigns was also prohibited, unlike in 1984.

The reforms promised by President Ortega are expected to re-establish the conditions of the 1984 elections, with the added benefit for the opposition parties that they might now be allowed to run their own television station.

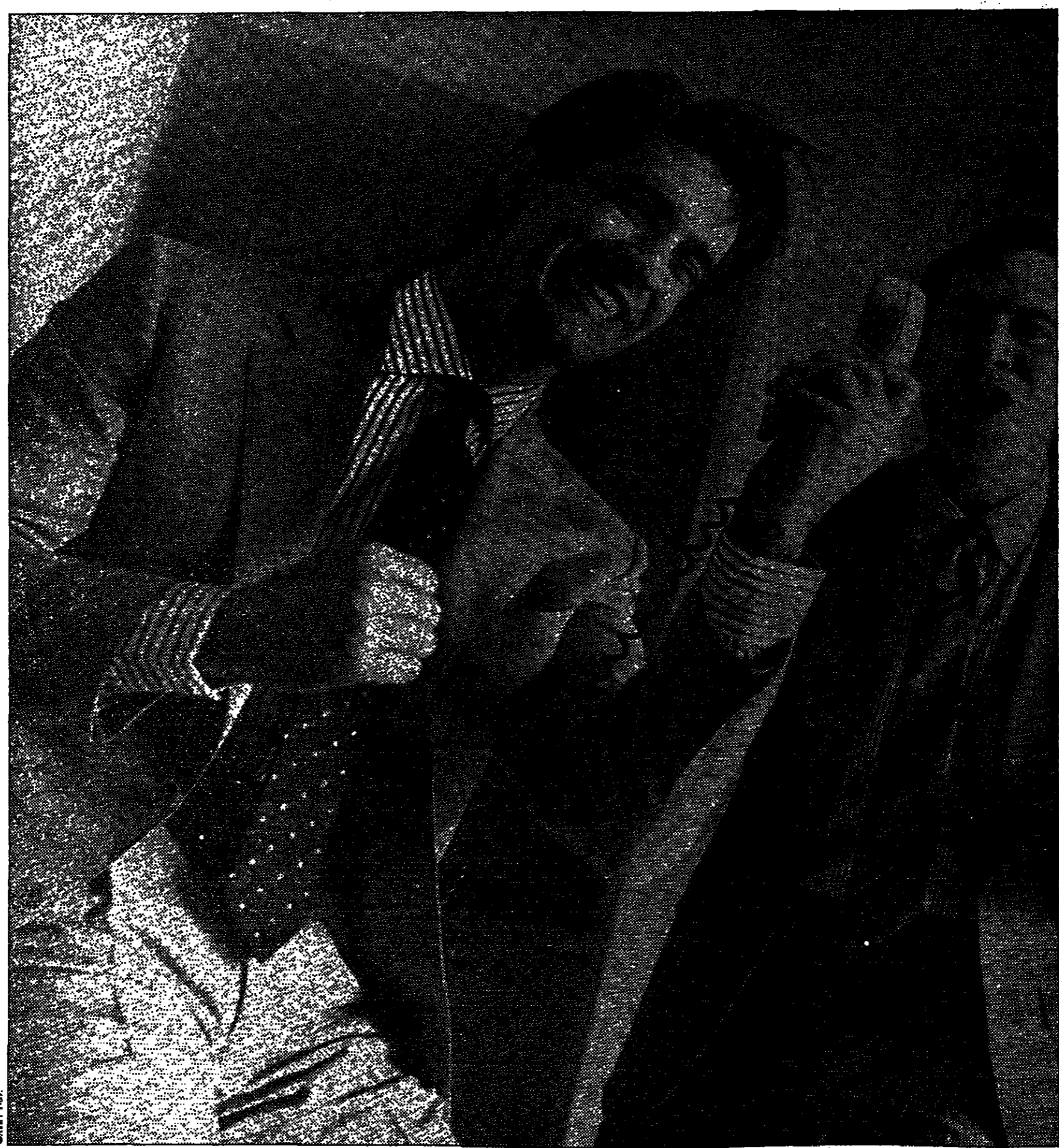
The National Assembly is to begin its next series of ordi-

nary sessions today, during which the various reforms will be discussed.

The declaration of the "National Directorate" also made a call on the "international community" to ensure that not only Nicaragua but "all the Central American governments" comply with the commitments they have undertaken at the summit.

Most importantly this includes a plan to demobilise the estimated 10,000 Contras presently based in Honduras.

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- "In that case, let's go."
- "We've got the deal?"
- "You've got it."
- "Fantastic. Shall we sign in Paris?"

The rest of this conversation is strictly business.

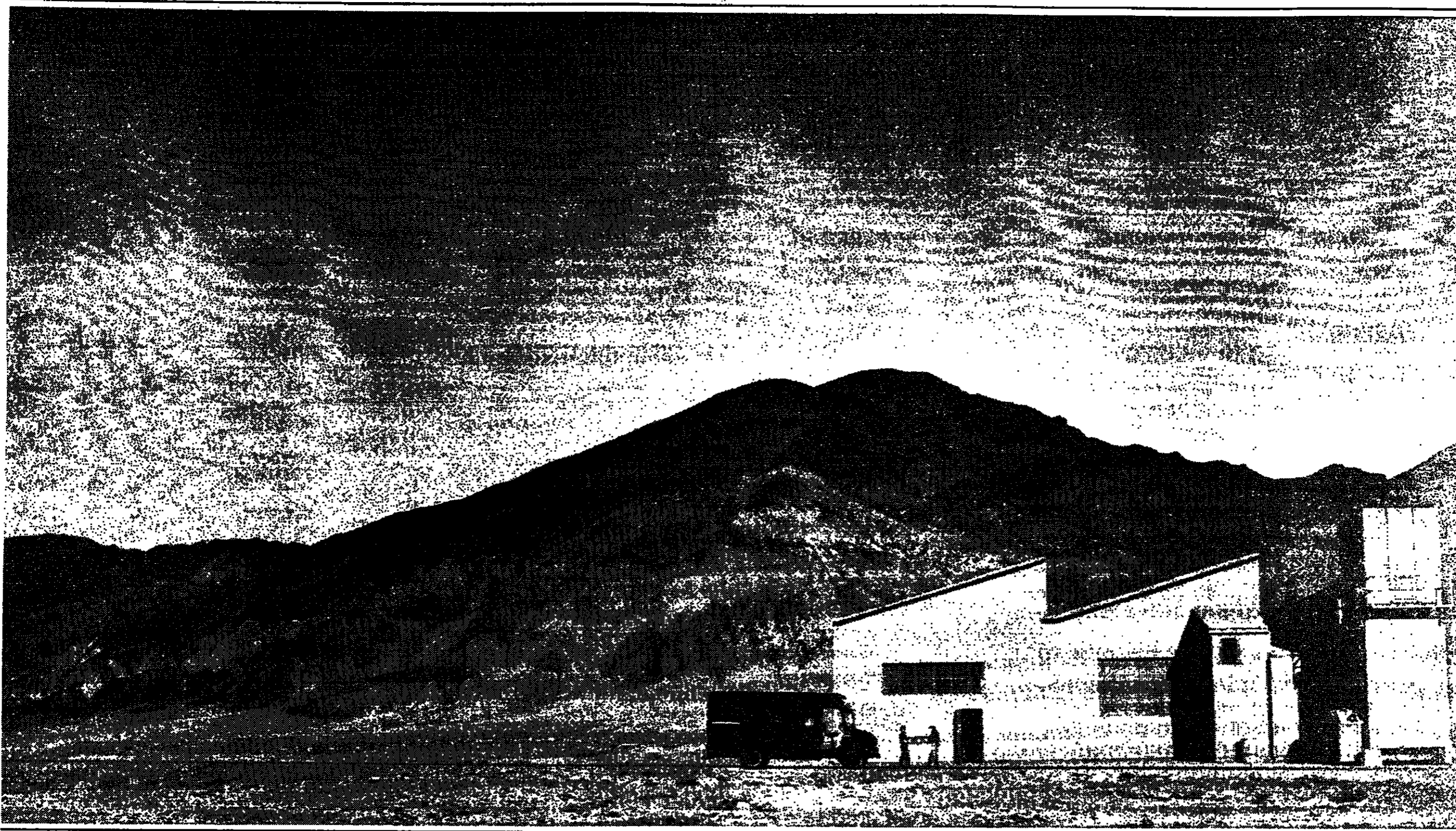
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OVERSEAS NEWS

Hong Kong stock exchange agrees watchdog funding

By John Elliott in Hong Kong

A ROW between the Hong Kong stock exchange and top executives of the colony's Securities and Futures Commission was defused last night when the exchange's council agreed on a change in the funding of the commission, which is being set up by new legislation.

Regulatory arrangements are being developed to control the stock market after the world markets crash in 1987, which led to the Hong Kong exchange being shut for four days. There then followed a corruption scandal.

The stock exchange argues that new and extensive powers planned for the commission will duplicate its own developing role. It has used the issue of the funding to argue that the commission will be over-staffed and too expensive.

The arrangements should remove the issue of finance from the duplication debate, which will continue over details of what regulatory work should be carried out by the exchange itself and what by the commission.

A compromise negotiated between Mr Piers Jacobs, Finance Secretary, and Sir Quo-Wei Lee, chairman of the exchange, cancels earlier arrangements to introduce a new statutory levy on stock exchange transactions of 0.025 per cent. This will be shared equally by the exchange, for its



Lee: negotiated compromise

own use, and the commission. On the average stock exchange daily transactions of HK\$300m (£56m) last year, HK\$49m would go towards the commission's first year budget of HK\$134m.

Transactions are running during a current stock exchange boom at about HK\$1.7bn a day, although this level is not expected to continue. Mr Francis Yuen, stock exchange chief executive, said last night that the arrangements would enable the exchange to break even on its work, if transactions stayed at or above HK\$1bn a day.

Jordan may ask for IMF balance of payments support

By Tony Walker and Lamis Andoni in Amman

JORDAN is considering a formal request to the International Monetary Fund for balance of payments support to help it out of its present economic crisis, according to Jordanian and Western officials.

Jordan is understood to have made a tentative approach to the fund for advice on the best way to overcome an expected large financing gap this year, but differences persist within the Jordanian Government over the desirability of involving the IMF in a rescue operation.

King Hussein and Mr Zaid Rifai, Prime Minister, are said to have expressed reservations about seeking IMF support because of political sensitivities. However, senior officials and Jordanian economists are saying the Government has little choice.

Pressures for an IMF-sponsored rescheduling of Jordan's debt of about \$6.5bn have been building since last year when worries about the country's ability to meet its commitments on its external debt contributed to a big depreciation of the Jordanian dinar.

Most of Jordan's debt, about half of which is military, is government-to-government and so would be subject to rescheduling under the fairly generous rules of the Paris Club of Western creditor nations.

Dr Fahd el-Fanek, a Jordanian economist, said the IMF had begun work on a programme to restructure Jordan's debt. "No-one would like to go to the Paris Club," he added, "but there is no alternative except outright default."

Jordan faces large debt repayments of about \$1bn a year for the next three or four years, its official cash reserves are virtually nil. Jordanian officials are making no secret of the country's difficulties.

King Hussein has made a number of approaches to Gulf states, notably Saudi Arabia, in an effort to secure emergency relief. Saudi Arabia has indicated it will provide assistance,

but this is likely to fall well short of Jordan's needs. The Saudis have been providing about \$36m a year under the terms of the Arab League summit agreement of 1978 at Baghdad, which expired at the end of last year. Jordan was promised annual payments of \$1.25bn, but only a fraction of this money was paid.

Jordan's decision this month not to proceed with a \$150m loan in international markets was a further sign of its financial difficulties. Jordan was also forced late in January to delay payment on principal on a \$150m syndicated loan of 1984.

The World Bank, which has a team in Jordan at the moment, is working closely with the IMF on a recovery programme. The IMF would be likely to insist on stricter budgetary controls to reduce the domestic deficit and further moves to restrict imports.

Differences may arise over subsidies on basic foodstuffs. Jordan, which imports about half its food, is worried about food price rises and is taking steps to stabilise prices. The IMF generally takes a dim view of such practices.

The World Bank is offering structural adjustment assistance to help Jordan build a more productive, export-oriented economy. Jordan's present difficulties are partly due to its heavy dependence on "unsustainable" sources of funds such as aid and workers' remittances.

King Hussein's worries about Jordan's precarious financial position is one of the main reasons he initiated a wider regional economic grouping to include, apart from Jordan itself, Iraq, Egypt and North Yemen.

Jordan hopes to benefit from membership of a group, to be known as the Arab Co-operation Council, that would include larger regional economies such as those of Iraq and Egypt.

Anti-US feeling strengthens in S Korea

Maggie Ford describes factors behind calls for a reduction in the American presence

THE DEATHS of two South Koreans in incidents involving US soldiers is likely to raise anti-American feeling before the visit by President George Bush to Seoul next week.

Demonstrations have been held in several cities during the past few days and a US cultural centre was attacked. Student and dissident leaders say they plan to rally at military bases and in central Seoul over the next week.

The Bush visit has focused attention on the role of the 45,000 US troops in South Korea when progress is being made towards a rapprochement with the communist North. Pyongyang has complained bitterly about a joint military exercise due to be held in the South next month.

Also, the South Korean Government has been holding talks with the US over reducing the visibility of its troops. The government is also believed to be discussing possible alterations to plans for the military exercise.

The government wants the US to move its military base away from the centre of Seoul, revise the Status of Forces Agreement that controls legal jurisdiction over offences committed by US soldiers, and to switch its television broadcasting service from the main network to a private cable system.

The rise in anti-American sentiment in South Korea comes at a difficult time for Washington and Seoul. Both Governments have said that any troop withdrawal from the South now would be premature but pressure is growing in both countries for a new approach to reducing tension on the peninsula.

Restrictions on the US defence budget, plus criticism of Seoul over trade issues and the anti-American feeling, have led to a perception in some US circles that a reduction of troop numbers would be appropriate.

However, Seoul officials point out that, while a realignment of the relationship between the two countries will be necessary, it would be dangerous to withdraw the troops until serious negotiations with North Korea, along with military confidence-building measures, were under way.

The US has initiated recently meetings with North Korean diplomats in China and other countries, and two Australian diplomats have visited Pyongyang in a response to the South's wish to pursue dialogue.

Mr Hong Soon Young, Assistant Foreign Minister in Seoul, said last week that President Roh Tae Woo planned to discuss security and progress towards détente in his meeting with Mr Bush next week.

He said that a rare opportunity existed to extend the present global thaw to Korea. He regarded the impending Sino-Soviet summit to be a positive sign and said his long-term outlook for peaceful dialogue was optimistic.

Pressure on the Roh Government to take more positive action on progress towards reunification and democracy has increased recently, with a greater focus on US involvement, past and present.

Students in the city of Kwangju have made repeated attacks on the US cultural centre, demanding the testimony in Seoul of the US ambassador and military commander who

were in office in 1980. At least 200 people were killed at Kwangju when the military suppressed an uprising nine years ago, and public suspicion about the role of the US officials has grown, along with anger at the Government's refusal fully to investigate the incident.

The deaths last week of the two Koreans took place at Kunsan, site of a big US Air Force base. One death seems to have followed a fight and the other a car accident. They resulted in several demonstrations and led to a ban on troops going into the town.

The rallies this week will also focus on the Government's refusal to agree to opposition demands for the testimony of former President Chun Doo Hwan at the National Assembly. US support for Mr Chun, the first foreign leader to visit President Ronald Reagan shortly after he took power in a military coup, has long been criticised.

Mr Chun apologised to the public last year for his misdeeds, repaid \$25m to public funds and is in exile at a remote monastery. However, an opposition MP alleged last week that Mr Chun's wife had concealed ownership of land worth \$4.4m, raising new doubts over Mr Chun's veracity.

Mr Bush's five-hour visit to Seoul may be too short, and security too tight, for him to be exposed to any whiff of the tear gas still used liberally by the South Korean riot police. No doubt, though, he will find the atmosphere in Seoul considerably more heated than that in Japan, enveloped in a day of national mourning for the late Emperor Hirohito.



Anti-American protesters burn offices of US cigarettes after import tax was lifted last summer, almost halving the price

Growth rate likely to moderate

SOUTH KOREA'S rapid economic growth will moderate in the first quarter of this year and the current account surplus will narrow as a result of a rise in the won, the country's currency, and a spike of labour disputes, the Economic Planning Board (EPB) said yesterday. Our Foreign Staff reports.

The won rose a combined 25 per cent against the dollar in 1987 and 1988. Strikes this year have hit 125 companies so far, including the country's biggest shipyard - up from 93 companies a year earlier.

As a result, gross national product is expected to show real growth of 6 to 7 per cent (base 1980) in the first quarter of 1989, compared to 14.9 per cent for the equivalent period in 1988.

For the year as a whole, growth is expected to be 8 per cent. "We think the economy will pick up from April because domestic investments and consumption have been rising steadily from the start of the year," an EPB official said. This represents a substantial moderation from the past three years, when growth has been 12 per cent a year.

In the first quarter of 1989, the current account surplus should fall to between \$1.5bn and \$1.9bn, from \$3.02bn in the first quarter of 1988, the report forecast. It said the surplus would reach \$9.5bn for the whole of 1989 - above the original target of \$9.5bn because of recovery of the world economy.

In January, South Korea's customs-cleared trade account had swung to a deficit of \$32m (the first shortfall in 17 months), from a \$1.52bn surplus in December.

Afghan Prime Minister resigns

By Robin Pauley, Asia Editor, in London

MR Mohammad Hassan Sharif resigned Prime Minister of Afghanistan yesterday as a 20-man supreme military council took over full control of economic, political and military policy.

Mr Sharif, 63, was the most senior member of government not in President Najibullah's ruling Communist People's Democratic Party of Afghanistan. His departure was widely expected as soon as President Najibullah had declared a state of emergency and started to sweep non-PDPA members out of his Cabinet at the weekend.

The new military council

takes Afghanistan - contrary to the protestations of Mr Abdul Rahman, Foreign Minister - much closer to military rule. All but one of the 20 members are PDPA members, mostly in the governing Politburo. The exception is Vice-President Abdul Rahim Hatf. He is a Pushtun former teacher and businessman from Kandahar who was a member of the presidium of the Revolutionary Council and ex-vice-minister of the "reliable" from the PDPA standpoint, if not a fellow-traveller.

Mr Sharif's resignation comes after nine months in office. He was among a number

of people brought in by President Najibullah in an attempt to present the Kabul regime as a broad-based Afghan government rather than a Soviet puppet regime. This failed to convince the resistance to support a policy of national reconciliation and, now that the Soviet occupation force has left Afghanistan, President Najibullah has decided to surround himself with his own people and drop the pretence of being broad-based or representative.

The new military council, called the Supreme Military Council for the Defence of the Homeland, is headed by President Najibullah.

S African ruling party to allow 'free settlement'

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S ruling National Party moved a step further away from the extreme rigidities of apartheid yesterday as it announced the appointment of a "free settlement board".

Headed by Mr Hein Kruger, a party representative on the President's Council, the top-level policy advisory body, it will come into operation on March 1 and set about legalising multi-racial "free settlement areas" in certain carefully delineated zones of the country's main cities and towns. The first such zones are expected to be set up legally in inner-city areas such as Hill-brow and Mayfair in Johannesburg, and Woodstock in Cape Town, which have been de facto mixed areas for years.

Announcing the new board, Mr Chris Heunis, Minister for Constitutional Development and acting-President after the "mild stroke" suffered by President PW Botha last month, described the enabling Free Settlement Areas Act as "introducing freedom of choice".

He emphasised, however, that the act "does not change the present living and residential patterns of our communities, but gives those who wish to associate freely with one another the democratic choice to do so".

The act is one of a trilogy of group areas amendments introduced last year. The most controversial bill, which envisaged fines of up to R10,000 (\$4,100) or five years in jail for illegal purchase or occupation of property in racially-zoned group areas, has been quietly dropped.

The decision to legalise limited zones for free settlement has been criticised by the Urban Foundation. This business-funded organisation argues that, by limiting legal mixed areas to certain inner-city locations, the influx to them will create overcrowded multi-racial slums which will confirm everybody's worst prejudices.

Two men charged with the murder of Dr Abubakar Asvat, a prominent Soweto doctor, came before a Soweto magistrate yesterday. Dr Asvat was murdered the day after he had gone to Mrs Winnie Mandela's house to see four youths abducted from a Methodist mission by members of Mrs Mandela's bodyguard, the Mandela United Football team.

Mujahideen moderates see some hope

By Christina Lamb in Rawalpindi

HOPES HAVE been raised among moderates in the Pakistan-based Mujahideen Afghan resistance that they may be able to prevent fundamentalists pushing the provisional government-in-exile of hard-line Ahmad Shah through the shura, a national religious council under way in Peshawar to choose an alternative to the Kabul regime.

Pir Gaydar and Mr Sibghatullah Mujahideen, the two moderate leaders, seemed to have given up after the Iran-based Mujahideen, who were strongly against Ahmad Shah, went home yesterday, angered by their lack of representation.

However, in a surprise move when the list of portfolios was presented to the shura, mujahs reacted strongly, objecting in particular to the idea of a ministry for women, and walked out in protest. Mr Bur-

hammadin Rabbani, one of the main fundamentalist leaders, also refused to participate in the government after other leaders refused to name Mr Ahmad Shah Massoud, his commander, as Defence Minister.

After 11 days of letting party leaders run the show, a protest group of 70 commanders and mullahs from all seven parties was organised.

Israeli troops wound 14, seal homes

ISRAELI troops wounded 14 Arabs and bulldozed or sealed the homes of four Palestinians accused of firebomb attacks during the second day of a Palestinian general strike, AP reports from Jerusalem.

The three-day strike, called by the Palestine Liberation Organisation-linked United National Leadership of the Uprising, shut down businesses and transport throughout the occupied West Bank and Gaza Strip.

It was the longest work stoppage since the start of the Palestinian revolt against Israeli occupation on December 8, 1987. Fifteen Israelis and 383 Palestinians have been killed in the violence.

In the occupied territories, the army declared Nablus, the West Bank's largest city, a closed military zone, and erected roadblocks at four entrances to prevent motorists from entering.

Troops also stopped dozens of Arab-owned cars inside Nablus, confiscating the drivers' identity cards and ordering them to remove outlawed Palestinian flags and pro-PLO wall graffiti, an Arab reporter said.

They included a 14-year-old boy from Jenin shot in the stomach, the doctors said. Also in Jenin, troops bulldozed the house of a resident accused of throwing three firebombs at an Israeli army vehicle, an army official said. The official did not know if anyone was injured.

The army also sealed three homes of suspected firebomb throwers in the villages of Hawwara and Dahlat al Barad near Jerusalem. House demolitions and sealings have drawn criticism from the US and international human rights groups who condemn the practice denies Palestinians due process.

Floods of the Yangtze lay siege to China's main rice bowl

Colina MacDougall reports that increasing silt deposits are creating ecological change on a catastrophic scale

AN ecological catastrophe is in the making in China. Tree-felling, erosion, silting and floods are transforming the nature of the Yangtze river valley. In another few decades lakes will vanish, mountains will become bare rock and the rich granaries of central China will turn to mud each year.

Floods along the Yangtze last autumn were the worst for 100 years, the People's Daily declared last month. The problem was not the volume of water but its colossal spread. Annual silt deposits have filled lakes, flattened the land and blocked the drainage channels. In 1988 thousands of acres of crops were laid waste.

The 3,400-mile Yangtze now carries 1.5bn tons of silt to the ocean each year, only a little less than the 1.6bn tons delivered by "China's Sorrow," the almost untamable Yellow River. The Yangtze's silt dis-

charge equals the combined totals of the Nile, the Mississippi and the Amazon, the China Daily reported.

Only a proportion of silt reaches the sea. Annual floods deposit more and more around the banks of the lower reaches. One of China's biggest inland stretches of water, the Dongting Lake, is shrinking so rapidly that, in a few decades, it may disappear completely.

The water surface of the Dongting has dropped from 6,000 sq km during the past century or so to less than half that now. Worse, since 1950 the water storage capacity has fallen from about 30bn cubic metres to 16bn, sharply reducing its flood retention capacity.

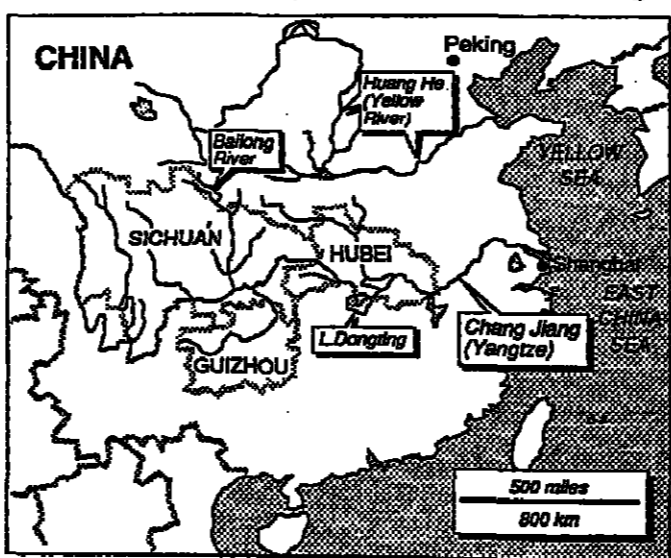
In Hubei province in central China, 80 per cent of the lakes in the "kingdom of a thousand lakes" area have disappeared. In these middle reaches of the Yangtze, officials are deeply concerned about the threat of

floods to one of China's main rice-bowls.

Further upstream, on the tributary Bailong River, the riverbed near Wudu is 18 metres above the city. The bed of the river in its middle stretches rose by 12.5 cm last year.

During the past 30 years, silt-generating erosion has been quietly on the rise. Rain and flood wash away more and more topsoil in the upper reaches. Now, of the 1.8m sq km of land in what is defined as the Yangtze valley, nearly one third is eroded and the annual volume of soil lost is 2.2bn tons.

This is critical. Upstream, the mountain topsoil averages 30cm to 50cm in depth. However, if erosion continues at the present rate, in less than 50 years it will have vanished. Farmers in some areas of Hubei province have had to move already because no earth



was left on the rocks to till. In parts of Guizhou province, it is the same. In Yunnan, 80 per cent of Yuanmou county adjoining the river faces seri-

ous soil deterioration and the Jinsha, as the Yangtze is locally called, annually strips topsoil that would cover nearly 2,500 hectares. Drought has fol-

lowed - with erosion, springs have dried up.

Tree felling and cultivation encourage soil loss. Forest coverage in upstream Sichuan province has shrunk drastically in the past 40 years. A quarter of the province's dry farming now takes place on slopes of more than 25 degrees.

The problem has become worse with development. Since the 1950s, pressure has risen to cultivate waste land such as hill territory and river banks. The ecosystem along the Yangtze has been destroyed, the People's Daily said.

"Adding a new wound to an old scar," the paper said, construction, road-building and mines had penetrated almost everywhere during the 1980s. "For instance, in Cheng County, which was reputed to be a treasure land in the south of Gansu province, the Beiyin company has been in charge of exploiting the open-cut alumina

and zinc mines since they were identified," the paper wrote.

"Since no measures were taken in the design and construction of the mines, some 100m tons of topsoil have been peeled off the ground so far."

There is some effort to repair the damage. Last autumn, Peking announced spending of 500m yuan (£76.6m) to check erosion. The project, due to start by the end of 1988, was designed to last 12 years and focus on the 1m sq km of the upper valley areas.

"The Yangtze rises in Tibet and, in its upper reaches, draws water from half a dozen distant and impoverished provinces so real prospects of minimising damage seem slight. If Peking does nothing, though, a flood disaster of Bangladeshi proportions would not be remote.

Beirut leaders seek to end conflict

The leaders of Lebanon's warring Christian factions held a surprise meeting yesterday in an attempt to resolve a conflict that killed at least 58 people last week, Reuter reports from Beirut.

Army commander Major-General Michel Aoun met Lebanese Forces leader Samir Geagea at the presidential palace. Meanwhile, six Lebanese religious leaders were expected to open talks in Kuwait with the Arab League committee yesterday or today in an attempt to resolve Lebanon's five-month-old constitutional crisis.

OAU debt talks

African ministers, at a meeting in Addis Ababa this week, hope to map out an initiative to tackle the continent's debt which will be considered at the annual summit of the Organisation of African Unity in June or July, Reuter reports from Beirut.

OVERSEAS NEWS

The scarcity of river resources for Arabs and Israelis in the 1990s is likely to sharpen rivalries. Andrew Gowers and Tony Walker report
Middle East fears war of parched throats

TUCKED away in campaign literature for Israel's recent election was an ominous reference to an issue looming large in the politics of the Middle East: competition for that scarce and diminishing resource, water.

"Judea and Samaria (the West Bank) boast 40 per cent of Israel's available fresh water resources," stated the right-wing Likud party as part of its case for retaining the Occupied Territories. "Water is our life. As such, it makes no sense to place it in the hands of those whose intentions towards us might not always be the kindest."

It is an argument of which the world is almost certain to hear a great deal more in the near future, and not just in the Arab context. Throughout the arid Middle East, rapidly-growing populations, urbanisation, water-hungry forms of agriculture and industrial development are placing a large and growing strain on water supplies. Experts predict that, in the 1990s, water will constitute at best a source of intense political rivalry between regional states and a key obstacle to resolution of the Arab-Israeli dispute. At worst, it could give rise to another war.

"The Middle East stands at the precipice of another major natural resource crisis," says a recent study by the Washington-based Centre for Strategic and International Studies. "Before the 21st century, the struggle over limited and threatened water resources could sunder already fragile ties among regional states and lead to unprecedented upheaval within the area."

There are three main areas of concern.

- The Nile Basin, in which at least four countries - Egypt, Uganda, Sudan and Ethiopia - have a big stake.
- The Tigris-Euphrates river system, divided principally among Turkey, Syria and Iraq.
- The Jordan catchment area, much the smallest but by far the most politically sensitive, involving Israel, the occupied West Bank, Lebanon, Jordan and Syria.

In all these cases, rivers cut across national borders and, in most of them, demand for water exceeds, or may well come to exceed, available annual supply. Yet none of the river basins involved has ever

been the subject of a comprehensive water-sharing agreement. Given that several of these riparian states (those which share common sources of water) are not on speaking terms, there is ample scope for misunderstanding.

By far the region's most serious water problem occurs in the area of greatest potential political conflict: that is in the small triangle that includes Syria, south Lebanon, Jordan, Israel and the West Bank and Gaza Strip. In the four decades since the foundation of the State of Israel, no other part of the world has witnessed such prolonged tension.

Israel itself is in a big water crisis. Its thirsty, agriculture-based economy is using water at a quicker rate than resources are being replenished in its three principal res-

ervoirs - the Sea of Galilee, a north-south aquifer (about half of which is located under the West Bank) and a series of sea-shore aquifers that stretch from Haifa to Gaza. Reserves of underground water are being depleted for future generations of Israelis and, just as critically, for the rapidly-growing Arab populations of the West Bank and Gaza Strip.

Israel's water shortage is already forcing changes in Israeli agriculture, the country's main industry. It is also a drag on future development plans. "This is a time bomb,"

declared Meir Ben Meir, former director of Israel's Agriculture Ministry and an acknowledged water expert. "If the people of the region are not clever enough to discuss a mutual solution for the problem of water scarcity, war is unavoidable."

A recent unpublished study on the pressure on scarce water resources throughout the region, by the Israeli Foreign Ministry, concluded that the water issue would become "much more problematic" in the next few years than in the past half-century.

The arithmetic is frightening. Renewable water available to the estimated 6m people who live between the Jordan river and the Mediterranean amounts to 1.9bn cubic metres annually. Israel consumes more than 1.7bn cubic metres,

over-pumping. Gaza residents blame this on nearby Israeli cotton farmers. Foreign aid experts say that restrictions on water use are required urgently to preserve the quality of Gaza drinking water.

In the West Bank, water is a subject of almost constant dispute between Palestinian residents, the Israeli occupation authorities and Jewish settlers, who are frequently accused of over-pumping. One such argument concerns Israel's plan to sink a deep well south-east of Bethlehem. Mr Elias Freij, Bethlehem's mayor, has warned that the tapping of the deep aquifer will threaten more shallow wells that serve nearby Arab towns and villages.

Scarcely less worrying is the problem's international dimension, since the watershed

in patient and barely visible diplomacy to keep real or potential disputes from getting out of hand. The only serious effort, however, to achieve unified joint development of the Jordan basin was presented to Israel and the Arab states as long ago as 1953 by Eric Johnston, a special envoy of President Dwight Eisenhower. It has never been ratified because of political differences but it has served as a basic guideline for water use by regional states.

The danger now is that this framework could begin to disintegrate as a result of the pressure on water resources from all directions. Jordan itself is facing serious difficulties. Professor Elias Salameh of Jordan University predicts that most underground water reserves will be depleted by the year 2005, and the state will be almost totally dependent on rainwater, always dangerous in a region where prolonged drought is commonplace.

Syria has problems of its own with cities experiencing frequent water and electricity cuts. World Bank experts believe Syria could face an annual water deficit of as much as 1bn cubic metres by the turn of the century if present consumption trends continue. The Government has already sharply increased projected spending on water and hydroelectric power projects.

Jordan and Syria are reviving a long-stalled plan to build a dam on the Jordan's last untapped tributary, the Yarmuk river, which feeds into it below the sea of Galilee. After Israeli complaints and US mediation, Israel has given its tacit consent for what is to be called the Unity Dam, which will be in Syria near the Jordanian border and a vital source of drinking and irrigation water for Jordan. However, even assuming smooth implementation of the project, the relief it will provide can only be temporary because of Jordan's rapidly increasing demand.

Elsewhere in the Middle East problems abound. Egypt, which is almost totally dependent on Nile waters, faced the alarming prospect this year of being forced to institute power cuts and water rationing because of prolonged drought in the Ethiopian highlands, source of the Blue Nile. Plenti-

ful mid-year rains in Sudan and Ethiopia helped to replenish the much depleted Aswan High Dam, but pressures remain. Egypt's rapidly-growing population - now 52m and set to exceed 100m in the next 25 years on current trends - will place increasing demands on a limited resource.

Mr Boutros Ghali, Egyptian Minister of State for Foreign Affairs, never tires of telling visitors that "the next war in our region will be over the waters of the Nile, not politics". Such warnings seem alarmist to Western experts who point out that the political and economic weakness of upstream states is likely to limit the demand they place on the river.

However, Nile basin states include some of the least stable in Africa. Also, rapidly increasing populations - Kenya has the world's highest birthrate - must add to demand for Nile water. Ethiopia's plans to build a dam on the Blue Nile, source of about 50 per cent of waters flowing into the Aswan dam, is a worrying development for Egypt.

In the case of the Tigris-Euphrates basin, experts believe trouble may be around the corner, since Syria, Iraq and Turkey all have ambitious plans for tapping the waters of the Euphrates. The downstream states are especially concerned by Turkey's Grand Anatolia Project, a huge irrigation and power generation scheme that hinges on the Ataturk dam under construction in the south-east of the country.

Experts forecast that, by the mid-1990s when demand for water to fill the dam will be at its height, this will have a serious impact on the river flow into Syria and Iraq. In the worst scenario, if Turkey and Syria are able to implement all their development plans, the amount of water in the Euphrates entering Iraq could be reduced from 30bn cubic metres to 11bn cubic metres - 2bn cubic metres less than Iraq claims will be its minimum requirement for its own agricultural schemes.

Iraq and Syria - whose relations are icy in any case - have nearly come to blows over water at least once: in 1974-75 new Syrian and Turkish dams reduced the Euphrates to about one-quarter of its normal flow. Baghdad



The Aswan High Dam on the Nile: recent rains have replenished its much depleted resources

and the residents of the West Bank and Gaza 400m cubic metres, leaving a deficit of at least 200m cubic metres that is drawn from diminishing reserves. Dr Thomas Naff of Pennsylvania University reckons that, by the end of the century, Israel's water needs may exceed its supply by 30 per cent.

In the Gaza Strip, the densely-populated settlement that is home to some 650,000 Palestinians, the situation is already critical. Underground reservoirs are being depleted and made brackish because of

tapped by Israel is also shared with Jordan, Syria and Lebanon. Water has been one of the main sources of conflict between Israel and its Arab neighbours, notably in 1964, when an Arab summit decision to divert the headwaters of Jordan tributaries resulted in border clashes, and again in 1969. Indeed, disputes over water have long been regarded as one of the principal causes of the six-day Arab-Israeli war in 1967.

Successive US administrations, aware of the issue's combustible nature, have engaged

threatened to bomb Syria's al-Thawra dam and massed troops along the frontier. The crisis eased only when Saudi Arabia persuaded Syria to release additional water.

Turkey, which is in a strong geographic and military position, has been careful to engage Syria and Iraq in ministerial talks on the water issue and soapy disputes are expected to be contained for the time being. Even so, it seems inevitable there will be continuing tensions among Euphrates countries.

Predictions of a Middle East water crisis have brought forward a crop of proposed solutions - some adventurous, some plain bizarre. They range from the idea advanced in all seriousness at one stage of towing icebergs to the region from the Antarctic, to the proposal of President Anwar Sadat of Egypt to pipe Nile water through Sinai to Israel and the occupied territories. There was also the proposal during the

Nixon presidency in the US to build a nuclear-powered desalination plant on Israel's Mediterranean coast. This idea was shelved because of security concerns and because Israel is not a signatory to the nuclear non-proliferation treaty.

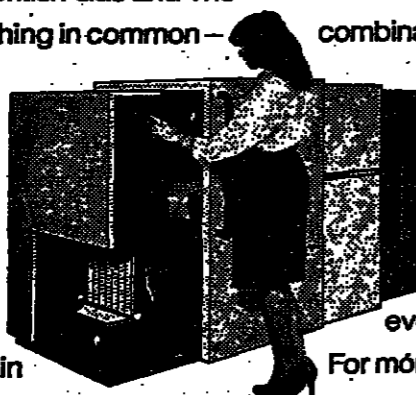
Turkey has been proposing more recently to sell water to arid states through a "peace pipeline" from two small rivers - the Seyhan and Ceyhan - which flow under-utilised into the Mediterranean. Brown and Root, the US engineering consultancy, has prepared a feasibility study on the possibility of transporting Turkish water to places as far away as the southern Gulf states. The cost, estimated at up to \$21bn (£11.9bn) and political problems associated with this scheme mean, however, that it must be considered a distant prospect at best.

In the meantime, water is likely to be at the core of any negotiations to resolve the Arab-Israeli conflict.

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WORLD TRADE NEWS

DAF plans to assemble trucks in Thailand

By Kevin Done, Motor Industry Correspondent

DAF, the UK-Dutch commercial vehicle manufacturer, plans to start assembly of trucks in Thailand. This will be its first venture in south-east Asia.

It has reached agreement to begin exporting heavy trucks and buses to Thailand through a local importer, Thai VP. Thai Rung, an associated company of Thai VP, could eventually be involved in local assembly of DAF vehicles.

The two Thai companies are now involved in assembly, sales, distribution and service of a range of station wagons, light trucks and small and medium buses based on US and Japanese products. Thai VP has a network of 33 dealers and service outlets.

Mr Cor Baan, deputy chairman of the DAF management board, said DAF was studying the potential for using Thailand as a base for sales to other countries in south-east Asia.

The Thai market itself had significant growth potential, he said.

DAF, the fifth largest commercial vehicle maker in Europe, recently announced plans to establish a new headquarters in the UK for its global international sales DAF International, which will be located in Manchester, will be responsible for all sales of DAF vehicles outside Europe.

Mr Aart van der Paadt, DAF president, said that DAF, now largely limited to the European market, intended to take an increasing share of the global truck market.

Venezuela devaluation hits importers

By Joseph Mann in Caracas

THE Venezuelan Government's decision last week to order a major devaluation of the national currency, the bolivar, has created a serious problem for Venezuelan importers, who owe international banks and suppliers about \$6bn in letters of credit.

President Carlos Andrés Pérez announced last Thursday the Government would establish a single, floating exchange rate for the bolivar. This means the official rate of Bs14.5 to the dollar, used for most international commercial and financial transactions, will be eliminated.

As of yesterday, the Government had not implemented the new exchange rate system, but Venezuelan importers are worried they will be forced to absorb the effects of the difference between the official rate and the current free market rate (about Bs38 to \$1) when settling their letters of credit.

The Government has formally no plan for dealing with this problem, but Mr Pedro Tinoco, Venezuela's central bank president, suggested in a television interview on Sunday that a scheme was being worked out.

Most outstanding letters of credit were opened with a government guarantee that importers would be able to purchase dollars at the Bs14.5 rate, while others were covered by an earlier official rate of Bs7.5 to \$1.

It is clear today that the Administration does not have sufficient foreign exchange to make good all these letters of credit at the originally agreed rates of exchange.

The Government has formally no plan for dealing with this problem, but Mr Pedro Tinoco, Venezuela's central bank president, suggested in a television interview on Sunday that a scheme was being worked out.

He indicated that the Government could not provide foreign currency at the old official rates to cover all existing letters of credit, but that coverage would depend on the date on which certain imports entered the country.

He said that, for example, imported merchandise already sold at the retail level would be eligible for foreign currency under the old official rates, while merchandise still being shipped or held in inventory would not.

A decision on imports of capital goods would also depend on when the items entered the country.

This is "a national problem", the bank president said, and a solution must be worked out by the Government and the private sector.

Venezuela's imports last year rose 23 per cent to more

than \$18.5bn, while exports fell by 2 per cent. The country ended 1988 with a balance of payments deficit of \$4.4bn and its first trade deficit (\$515m) in a decade.

Because 1988 was an election year in Venezuela, the outgoing Administration allowed imports to rise sharply in order to avoid shortages that would be embarrassing to the ruling party and its candidate.

In fact, shortages of basic food items occurred despite the increase in imports, and the government party's candidate, Mr Pérez, won the presidency anyway.

By the end of last year, the Government's liquid foreign exchange reserves were depleted and it was forced to declare a moratorium on payments of principal for most of its \$25.6bn foreign debt.

Foreign expertise livens up Israel's TV

By Laura Blumenfeld in Jerusalem

FOREIGN capital and expertise have been recruited to liven up Israel's humdrum television screens.

Audiences, limited to one or two government-run stations, are about to be indulged with the arrival of cable television which could offer as many as 28 channels.

Mr Gad Yaacobi, Israel's Communications Minister, said franchises for the 29 cable television regions would be distributed by April.

Since the project was launched last August, franchises have been distributed. Broadcasting is to begin within two years. Local private communications outfits have

teamed up with well-established foreign enterprises to invest the \$500m needed to set up a cable television infrastructure. Three companies were awarded contracts last week for six regions, each comprising 40,000 households.

Mr David Harnik, chairman of the Cable Broadcasting Council, a mixed government industry body, said the forecast penetration rate for cable television in Israel within the next five years was 65 per cent, compared with 50 per cent in the US.

He predicted that pirate cable stations - received in about 50 per cent of Israel's living-rooms - would be easily

replaced by the superior service and variety of legal cable television.

United Cable Television Corporation, a leading US cable television company whose annual sales are about \$500m, joined up with Discount Investment Corporation, a Tel Aviv subsidiary of Israel Discount Bank Development Corporation, to win franchises in four lucrative areas. Two of them were assigned last week.

ICS, a group of primarily American businesses including Harcourt Incorporated, an Indiana-based investment banking company, and Omega Communications, a US cable operator, was awarded its

second and third franchises, as was Golden Channels, a communications group owned in part by South West Bell in St. Louis, Missouri.

Other foreign investors include Redifusion, which holds the franchise for Zurich, and Staten Island Cable Vision based in New York.

Mr Harnik plans to include both Europe's high quality signals and US-style popular entertainment in the Israeli system.

Programmes will be monitored by the council to filter out violence, pornography and items potentially harmful to Israel's national security.

Bush steels himself to curb imports

Pledges on voluntary restraint renewals leave doubts, Nancy Dunne writes

THE ASSURANCES by President George Bush, during his election campaign last year, that he would support renewal of the US steel import restraints when they expire on September 30 have by no means settled the matter.

The Voluntary Restraint Agreements (VRAs) on steel were negotiated with 19 countries and the EC, which accepted the quotas rather than fight unfair-trade suits filed by the steel industry. Dozens of new cases have been prepared in the event that the steel programme were not renewed.

In his commitment to the industry, the president left himself a way out, by saying that his backing for import restraints would come in the absence of an international agreement to ban government subsidies. The US administration has yet to say how it will seek such a pact. In any event, chances of getting one are slim. Even so, that has not ended the debate.

Manufacturers and importers who use and move steel have mounted an intensive campaign to ensure that the VRAs will be extended for less than the five years requested by the steel companies, and that their reach will be modified.

The companies, represented by the Iron and Steel Institute, argue that they need five more years to recover from more than 20 years of foreign dumping.

Legislation has already been introduced to give the president the authority to renew the programme. Still, the opposition is such that House of Representatives steel caucus has felt the need to study modifications in the restraints, particularly in the area of short-supply exceptions, in order to attract Congressional support for the cause.

Both sides are buttressing their cases with well-documented studies. Mrs Carla Hills, US Trade Representative, has said that she is open to the arguments of the users, who claim that the VRAs have raised their prices and undercut US efforts to increase high-value exports such as appliances, tools and transportation equipment.

These products comprised about 44 per cent of US exports in 1986, a good deal more than steel, which has only begun to regain its foreign markets.

In a report, prepared by Mr Paul Stern, former chairman of the International Trade Commission, the manufacturers argue that they have already paid a high price for the protection granted the steel industry over the years. US steel prices were 25 per cent higher than prices in Japan and 30 per cent more than in West Germany from 1969 to 1985.

If users had been able to buy steel at the same price as their Japanese and West German competitors, they would have saved at least \$67bn (\$48.8bn) during that period and \$85m from 1981 through

COUNTRY	SHIPMENTS (tonnes)	QUOTA LIMIT	% of QUOTA
Australia	204,855	217,389	94.3
Austria	123,341	160,031	77.1
Brazil	1,314,650	1,258,038	104.7
China	56,714	61,689	91.9
Czechoslovakia	37,400	37,878	98.7
East Germany	93,480	96,795	96.6
European Community	4,985,700	4,780,088	104.3
Finland	167,307	171,587	97.5
Hungary	30,257	30,845	98.1
Japan	4,167,471	4,757,619	87.6
Korea	1,445,030	1,463,908	98.7
Mexico	311,985	358,962	86.9
Poland	93,144	93,536	99.6
Portugal	30,750	31,242	98.5
Romania	97,587	107,411	90.7
Spain	477,433	579,042	82.5
Trinidad and Tobago	73,585	59,865	122.9
Venezuela	225,718	240,679	93.8
Yugoslavia	10,979	10,141	108.3
TOTAL	13,647,317	14,517,775	94.0

1985, the study says. Meanwhile, the VRAs have carried additional costs. Although the costs of production have fallen, steel users endured price increases averaging 15 per cent in 1987 and 1988.

This does not include more costs for carrying larger inventories, shortages, paperwork to apply for special import licences, and lost economic and employment opportunities, the report adds.

It also makes the point that the VRAs benefit an industry employing only 170,000-210,000 workers in the detriment of steel-using industries that employ 5.5m.

The American Iron and Steel

Industry has its own arguments. It says that no connection has ever been demonstrated between the VRAs, and between either significant steep price rises or shortages. It attributes the higher prices to increased costs for raw materials and appreciating foreign currencies.

It argues that many countries have not even filled their quotas because foreign steel suppliers have found they can sell their products at higher prices elsewhere. In fact, in real terms, prices in 1987 were still 5 per cent less than when the VRAs were instituted.

Short-supply procedures have been improved, and many

of the licences granted for short supply gone unfilled due to market softening, the Institute says.

The steel industry insists that it has not grown so healthily that protection can be discontinued. Although profits were about \$2bn last year, they followed \$12bn in accumulated losses from 1982 through 1986. About 15 per cent of the industry is still in Chapter 11 bankruptcy, and much of its capacity and reserves have been wiped out.

The steel industry would like to see the VRAs extended. It says that, while export licences for quota countries have been going unused, imports from non-VRA countries have continued to rise. Export licences equal to almost 900,000 tonnes went unused in 1987. Commerce Department officials believe that shortfall rose to about 4m short tonnes last year.

A third report, produced by the Congressional Research Institute, concluded that quotas could not be pushing up prices if they were going unfilled. No-one seems to have explained why, if they are going unfilled, renewal will be useful.

In any case, the Bush administration has lots of reading matter to study and, according to Mrs Hills, it will be "some time" before a decision is announced. In the end, it will not be a question of choosing between VRAs and free trade rather choosing between VRAs and trade suits.

UK wants India to speed up decisions

By K.K. Sharma in New Delhi

BRITAIN has asked India to establish a "fast track", on the pattern created for countries such as Japan and West Germany, so that proposals for investment can receive swifter approval.

Such a fast track was set up for those two countries last year at the instance of Mr Rajiv Gandhi, India's Prime Minister, when he visited them.

The British request for a similar fast track was made yesterday in Delhi by Lord Young, UK Trade and Industry Secretary. He was speaking at the start of the eighth meeting of the Indo-British Economic Committee - the first since

1985 - set up to increase economic contacts.

The need for such a fast track has been felt because of the slow procedures in India for examining foreign investment proposals. The procedures are said to have acted as a deterrent to investment.

Britain has been by tradition one of India's largest partners in trade and investment, although it has been overtaken by such countries as the US, West Germany and Japan. At the meeting yesterday, Lord Young conveyed Britain's keenness to step up investment in India and to encourage more British companies to enter the Indian market.

Poland, Bulgaria set for EC talks

By David Buchan in Brussels

EC FOREIGN Ministers yesterday gave the European Commission the go-ahead to start negotiations on new trade accords with Poland and Bulgaria, amid signs that similar talks may soon start with the Soviet Union.

The ministers agreed on the need to co-ordinate better the political and economic elements in Community policy towards the Soviet bloc. The

Commission and smaller member-states, such as Belgium, are particularly worried that bigger states are using their political weight to make special trade deals with Moscow.

Trade and economic co-operation agreements with Poland and Bulgaria would leave only Moscow and East Berlin out of the EC's expanding web of commercial accords with the East.

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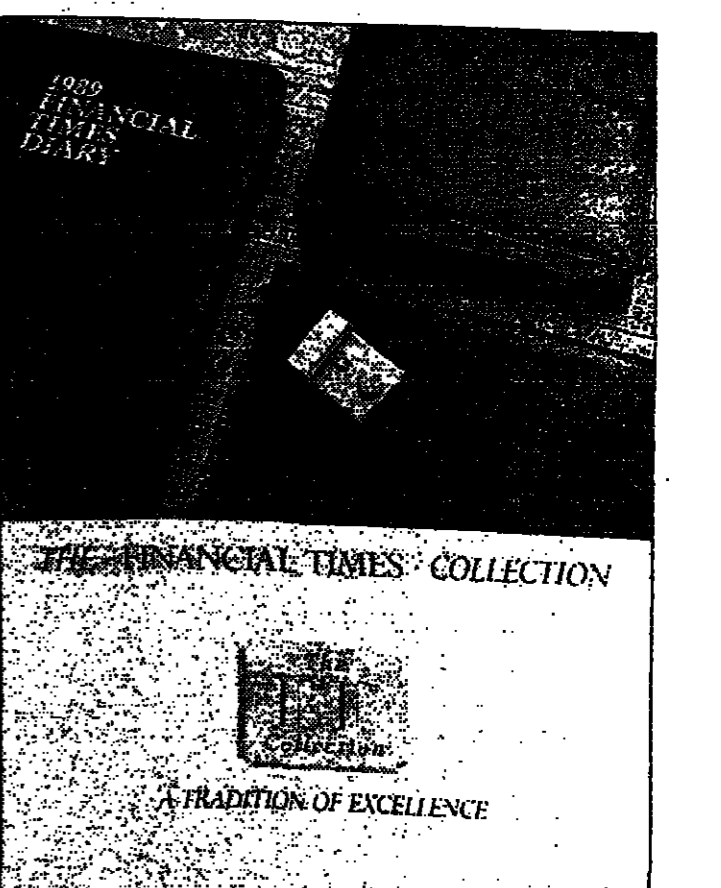
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FT LAW REPORTS

Aircrash widow loses claim for higher damages

HOLMES v BANGLADESH BIMAN CORPORATION
House of Lords (Lord Bridge of Harwich, Lord Griffiths, Lord Ackner, Lord Jemurray of Tulloch and Lord Lowry)
February 16 1989

PARLIAMENT has no power to legislate in respect of a contract for carriage by air entered into and to be performed wholly within the territory of a foreign country; and accordingly, damages for a fatal accident occurring on a domestic flight in Bangladesh are subject to Bangladesh, not UK, legislative limits.

The House of Lords so held when allowing an appeal by the defendant airline, Bangladesh Biman Corporation, from a Court of Appeal decision [1988] 1 FTLR 594 on a preliminary issue, that damages to be awarded to the plaintiff, Mrs Kaito Holmes, for the death of her husband, should be limited according to UK law, not Bangladesh law.

LORD BRIDGE said that Mr Holmes was killed in an air crash in August 1984. He was a passenger in an aircraft operated by Bangladesh Biman, flying from Chittagong to Dhaka on a purely internal Bangladesh flight. His widow sued the airline for damages on behalf of herself, her children and Mr Holmes's estate.

Under the contract between Mr Holmes and the airline, and under Bangladesh legislation, recoverable damages were limited to £913. But if Schedule 1 to the Carriage by Air Acts (Application of Provisions) Order 1967 applied, damages would be recoverable up to a limit of £83,763.

A preliminary issue was tried in the action as to whether Schedule 1 to the 1967 Order applied. The parties agreed that the damages suffered exceeded the limit imposed by the Schedule.

Mr Justice Leggatt determined the issue in the widow's favour. His judgment was affirmed by the Court of Appeal. The airline now appealed.

There were two international Conventions in force, each providing a uniform set of rules governing contracts of international carriage by air. The first was the Warsaw Convention,

agreed in 1929. The second was an amended version of the Warsaw Convention, agreed at the Hague in 1955 (the "Hague Convention").

The UK was party to both Conventions. The Warsaw Convention was enacted into UK law by the Carriage by Air Act 1932, and the Hague Convention was enacted into UK law by the Carriage by Air Act 1961.

Section 1 of the 1961 enacted that the provisions of the Hague Convention, as set out in Schedule 1 to the act, should have the force of law. Section 10(1) provided that Order in Council to non-Convention "carriage by air . . . of such descriptions as may be specified in the Order."

The enabling power conferred by section 10 was exercised by the 1967 Order, providing a set of rules governing all carriage by air not being "international carriage" within either of the two Conventions.

Thus there were three sets of rules in UK law, governing different categories of carriage by air - the Hague rules in Schedule 1 to the 1961 Act, the Warsaw rules in Schedule 2 to the 1967 Order, and the UK rules in Schedule 1 to the 1967 Order. The question was whether the UK rules applied to carriage by air performed wholly within the territory of a foreign state.

Mr Justice Leggatt and the Court of Appeal never applied their minds to the right question. They concentrated exclusively on the language, structure and drafting of the 1967 Order, and concluded in favour of the widow.

But the 1967 Order could have no wider scope and effect than was duly authorised by the power conferred by section 10 of the 1961 Act, to legislate by Order in Council.

If on the true construction of section 10 the enabling power was limited, it was axiomatic that the Order could not exceed that limit.

Accordingly, the essential prior question, before attempting to construe the Order, was whether "carriage by air . . . of such descriptions as may be specified" in section 10, ought to be read as subject to any limitation.

The authorities established a presumption limiting the scope of general words in a UK statute in their application to subjects of sovereign states who were outside the jurisdiction of the UK Parliament - the "presumption against extra-territorial legislation."

The question was whether section 10 legislation was subject to any limitation arising from the presumption that Parliament was not to be taken, by the use of general words, to legislate in the affairs of foreign nationals who did nothing to bring themselves within its jurisdiction.

Four distinct categories of carriage fell for consideration: (1) carriage in which departure, destination and agreed stopping places were within the UK; (2) carriage involving carriage in a foreign state, and departure, destination or agreed stopping place in the UK; (3) non-Convention carriage between two foreign states with no agreed UK stopping place; (4) carriage within a single foreign Convention or non-Convention country.

Carriage in category (1) was clearly within the proper scope of UK legislation, and was covered by the UK rules.

The presumption against extra-territorial legislation had no relevance to category (2). With regard to category (3), contracts of carriage by air in direct flights between two non-Convention countries could be of no legitimate concern to the UK Parliament. If Parliament claimed to regulate the rights and liabilities of the parties to such contracts, it would be asserting a jurisdiction over foreign subjects who had done nothing to bring themselves within that jurisdiction.

If that applied to carriage in category (3), it applied *a fortiori* to carriage in category (4), the relevant category in the present case. A contract made and to be performed wholly within the territory of a foreign state would normally be subject to the laws of that state and no other.

That the UK Parliament should exercise a power to regulate the terms of such contracts would seem an extreme example of the legislature doing precisely that which the

relevant authorities said it was presumed not to intend.

For those reasons the words of section 10 "carriage by air . . . or such descriptions as may be specified" should be construed as limited to carriage in categories (1) and (2) which were appropriate subjects of UK legislation, but as excluding categories (3) and (4) which were not.

The appeal should be allowed.

LORD GRIFFITHS agreeing, said that the construction adopted in the courts below failed to give sufficient weight to the presumption against Parliamentary intention to legislate for matters that were properly the concern of other countries.

There was no reason why Parliament should have thought it right to take upon itself to legislate for matters which were no concern of ours.

LORD JAINCEY also agreeing, said that there was nothing in the 1932 or 1961 Acts which expressly enacted that foreign carriage by air other than Convention "international carriage" fell within their ambit. Parliament's intentions were clear and unambiguous.

Far from there being a plain implication in the acts that foreign carriage by air of any description was intended to be brought within their scope, all the circumstances pointed in the opposite direction.

The 1961 Act and the 1967 Order did not apply to the contract of carriage between Mr Holmes and the airline.

Schedule 1 to the 1967 Order applied to: (1) carriage wholly within or between parts of UK territory, and (2) carriage which, under the contract, had a place of departure, destination or agreed stopping place within UK territory, and which was not included within the definition of international carriage in either Convention.

Lord Ackner and Lord Lowry agreed with all three judgments.

For Mrs Holmes: Timothy Walker QC and S. Browne-Wilkinson (City of London).

For the airline: Charles Sparrow QC and Robert Webb QC (Beaumont & Son).

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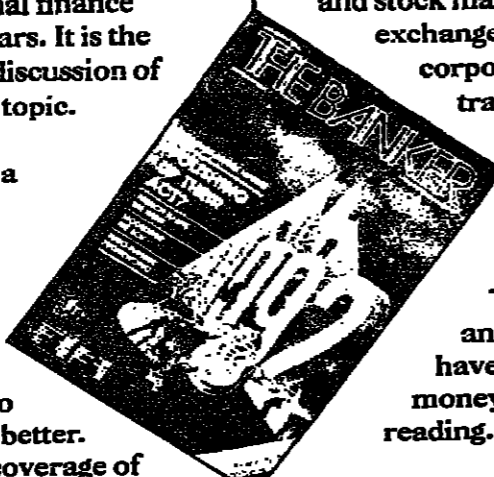
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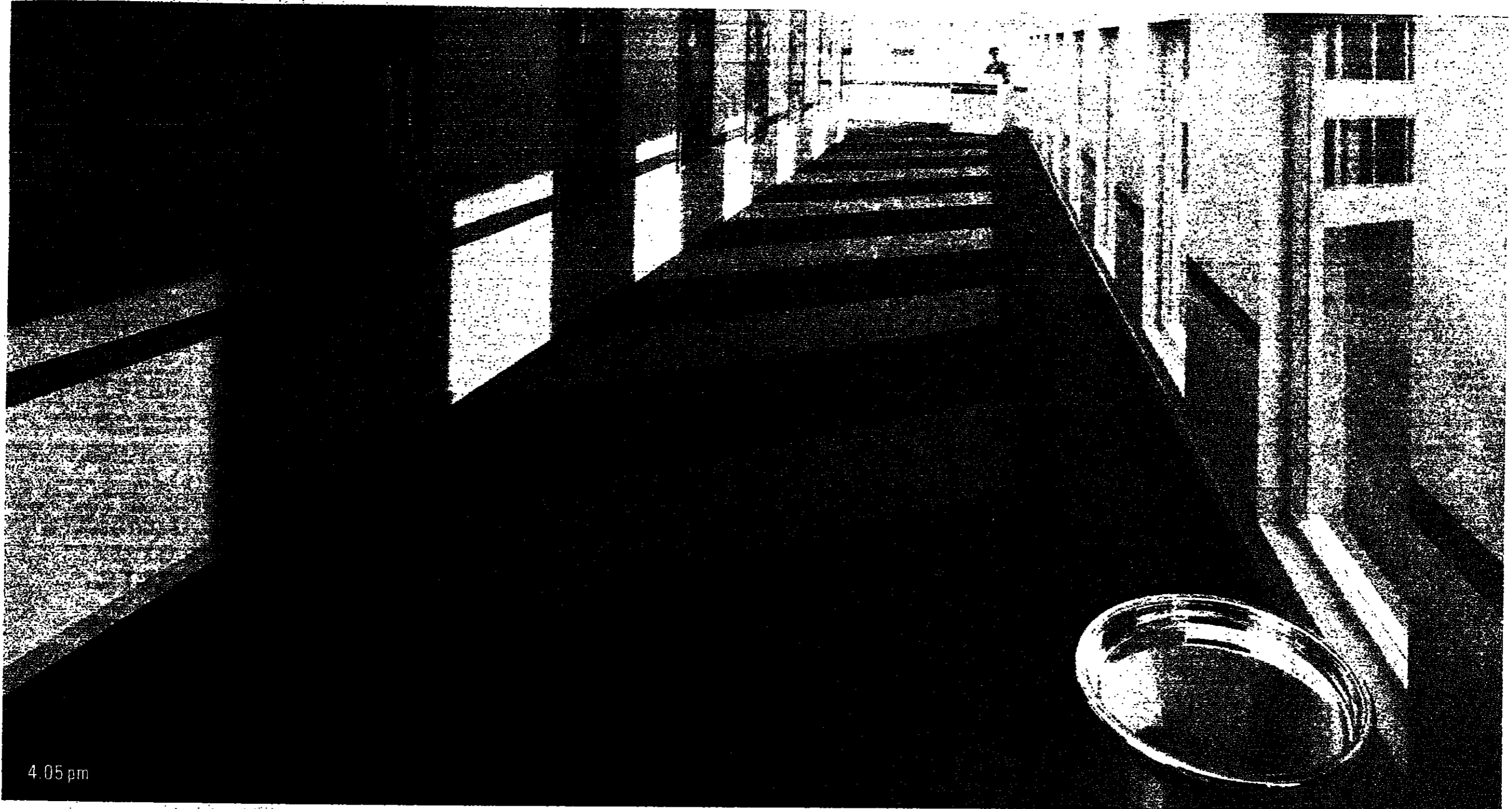
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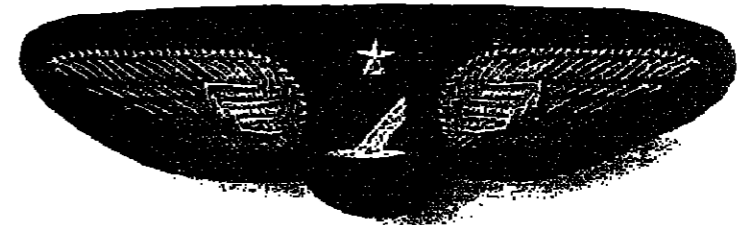
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UK NEWS

Bank lending up, but figures also hint at slowdown

By Ralph Atkins, Economics Staff

HEAVY borrowing by companies to pay their tax bills brought a big increase in bank and building society lending last month, but Bank of England figures released yesterday also showed signs that consumer borrowing and economic activity are slowing.

Lending by banks and building societies rose by a seasonally-adjusted £5.5bn in January, the third biggest rise on record. Lending by UK clearing banks to the personal sector, however, saw the smallest rise for nearly two years.

The official figures also showed a further slowing in the growth of M0, the narrow money supply measure consisting almost entirely of notes and coins in circulation.

The measure is closely watched by the Treasury as an indicator of current economic activity and inflationary pressures.

In the 12 months to January, M0 increased by 8.1 per cent, down from 8.5 per cent in December, but still outside the 1 per cent to 5 per cent target range set by the Treasury for 1988-89.

M0 fell by 0.6 per cent in January after adjustment for normal seasonal variations. The adjusted figures show an increase of 7.4 per cent in the past 12 months, but if figures for the past three months are expressed as an annualised rate, they show an increase of just 2.3 per cent.

The slowdown provided some encouragement for financial markets, helping to push the FT-SE 100 share index 22.9 higher to 2,965.8. The FT Ordinary ended 18.8 higher at 1,696.9.

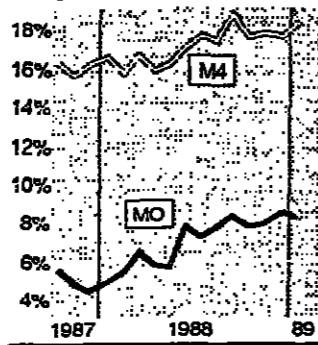
Figures published yesterday by the main commercial banks showed the increase in their personal lending was the lowest since February 1987. Most of this lending was for house purchases, with other sectors subdued. The exception was credit cards, which showed consumers repaying debt.

The Treasury said the data supported its case that the economy was slowing, particularly in the personal sector.

January's increase in bank

Money Supply

change over previous year



and building society lending coincided with the height of the company tax paying season - which has been boosted by strong profitability last year.

Corporate tax receipts in January were 12 per cent higher than in the corresponding month in 1988.

This almost certainly exaggerated growth in M4, the broad measure of money supply, which includes bank and building society deposits. In the 12 months to January it increased by a seasonally-adjusted 18.2 per cent, up from 17.3 per cent in December, although figures for the past six months point to a slowdown.

The Bank of England figures for bank lending alone, show a rise of £5.4bn in January. The difference between this and total for both banks and building societies has widened since December, suggesting that the slowdown in building society lending may have stalled although it could reflect transactions between banks and building societies.

Allied Irish Bank is to launch a Visa credit card in the UK offering an interest rate of 19.5 per cent and a cheque account facility, in return for a monthly fee of £1, writes David Barnard.

Allied Irish's card makes its appearance as competition in the credit card market is at an all-time high.

Rail inquiry focuses on signal staff

By Kevin Brown, Transport Correspondent

THE PUBLIC inquiry into one of Britain's worst rail crashes, in which 35 people died last year, will concentrate on the work carried out by nine signal technicians, Mr David Latham, QC, independent counsel to the inquiry, indicated yesterday.

The accident happened at 8.10am on December 12 at Clapham, south London, when a train from Poole, Dorset, ran into the back of a stationary train from Basingstoke, Hampshire, on the fast line to Waterloo. Some carriages from the Basingstoke train then collided with an empty train travelling in the opposite direction.

The inquiry will also consider wider issues such as British Rail's management structures, pay, staffing and overtime payments, Mr Latham said.

Opening the inquiry at London's Central Hall, Westminster, Mr Latham said that two of the three trains were crowded with commuters, but there appeared to have been no direct link between overcrowd-

A REPORT containing 31 safety recommendations arising from the 1988 Manchester air disaster will be published next month, Mr Paul Channon, Transport Secretary, said. The announcement came under immediate attack from Mr AM Morris, the MP whose constituency takes in Manchester Airport. He accused the Government of trying to divert attention from the report by publishing it on March 13, the day before the Budget.

Mr Morris also attacked the Government for taking 9½ years to publish the findings and was angry that Mr Channon had not volunteered to answer questions in the House of Commons at the time of publication. Fifty-five people lost their lives when a British Airways Boeing 737 caught fire on take off in August 1985.

ing and the number of deaths. The signalling system had malfunctioned because of a loose wire left in place during modernisation of the pre-war signalling system.

Work had been carried out on two successive weekends before the accident by three of the technicians at the centre of the inquiry: Mr Brian Hemmings, a senior technician assisted by Mr Patrick Dowd on the first occasion and Mr Martin Sayers on the second. Mr Latham said Mr Hemmings

was a very experienced technician who was a "meticulous, neat worker". His mistake was not spotted by supervisory and testing staff.

The central question will be the extent to which proper procedures of supervision and testing were in place, and whether they were being adopted by the relevant staff at the time," Mr Latham said.

The other technicians involved in signalling work around the crash site are: Mr Derek Bumstead, supervisor;

Mr Peter Dray, tester; Mr James Lippett, signal works assistant engineer; Mr Geoffrey Bailey, signal works engineer; Mr John Deane, area signals engineer (works); and Mr Roger Penny, area signals and telecommunications engineer.

He noted that the driver of the Basingstoke train, Mr Alex McClymont, had stopped to report a signal malfunction when his train was rammed.

The driver of the Poole train, Mr John Rolis, who was killed, appeared to have been driving at the proper speed when he passed a signal.

The signal should have been set at red to stop the train, but was probably set at either green or yellow, both of which would have allowed Mr Rolis to proceed on to the stretch of track occupied by the stationary Basingstoke train.

The inquiry would have to look carefully at the management of the work being done, and whether there was a failure to set and maintain proper standards.

Clarke publishes papers on health

By Alan Pike, Social Affairs Correspondent

MR KENNETH CLARKE, Health Secretary, yesterday published eight working papers which he said would "dispel the myth" that the Government was planning to privatise the National Health Service.

The working papers, promised when the health care white paper (draft law) last month, are intended to amplify the Government's plans. But there were immediate complaints from critics that, like the white paper itself, they were thin on detail.

Mr Trevor Clay, general secretary of the Royal College of Nursing, the nursing union, said that the papers left too many questions unanswered. "A Government which has lectured the NHS for almost a decade about the lack of financial information seems reluctant to say how much all this will cost."

The British Medical Association

said it would examine the papers in detail, but noted that they made "no reference to any additional funding, either to make up for current shortfalls or to take account of the inevitable administration-cost rises which will result from many of these proposals."

Mr Clarke said the response to the white paper had been reasonably favourable, and many people in the NHS recognised that the Government's proposed reforms had to happen. The Government would be initiating discussions with a range of interested parties in the NHS on the basis of the working papers.

The documents make clear that the Government's plans for hospitals to become self-governing, outside direct health authority control, will be extended to small hospitals and community-based services. Editorial Comment, Page 16

Sinking feeling brings flood into overseas trusts

Richard Waters reports on the capital flight caused by City rumours of a removal of tax advantages

FINANCIAL connoisseurs were treated to a classic case of British pre-Budget lunacy earlier this month.

It was rumoured in London's financial centre that the tax advantages of overseas trusts were to be removed imminently. The Inland Revenue's press office disappeared under an avalanche of enquiries.

Lawyers and accountants set up hundreds of overseas trusts within a matter of days to take advantage of the existing system (hundreds of millions of pounds worth of assets flowed offshore as a result).

And then...nothing. Like all really good rumours, this one died as suddenly as it had emerged. Yet it is still widely predicted that the Chancellor of the Exchequer will have overseas trusts near the top of his list when he stands up to deliver his Budget speech on March 14th. The more interesting question is whether UK trusts will be there as well.

During the committee stage of last year's Finance Bill - when MPs scrutinised the

Bill following its second reading in Parliament - of Mr Norman Lamont, financial secretary to the Treasury, said the taxation of trusts would be under review during the next year.

According to Mr Paul Bowers, a partner at Price Waterhouse, the accountancy firm, the main current use of trusts is in reducing the impact of inheritance tax.

"People understand about giving things away" to avoid inheritance tax, he says. "But they don't know always know who they want to give it to or how they keep control of it in the meantime."

There are three basic types of trust. Under the first, "interest in possession" settlements, a named person has a right to some or all of the income from a trust.

With discretionary trusts, on the other hand, the trustees decide. The third type of trusts are "accumulation and maintenance" arrangements, under which income is accumulated usually for young children until they reach a certain age.

There is also a hybrid arrangement, known as a mixed settlement, under which some of the income is predetermined and some is at the discretion of the trustees.

These mixed settlements are likely to be the first subject for review in this year's Budget. They have been the subject of considerable concern since the last Budget, when discretionary and mixed settlements came under attack from the Government.

Both are now subject to tax at the highest marginal rate of the person who transferred the asset into the trust (the "set-tlor"). This is to prevent the use of trusts to escape higher rate income tax.

The effect of this anti-avoidance move is widely expected to be mitigated in this year's Budget. Critics said at the time that, by taxing mixed settlements as though they were discretionary, the Government was penalising the named beneficiaries as well.

This would lead to the fragmentation of trusts - and the only people to gain from that

are the lawyers and accountants who make money out of the whole process. The Government has said it will look at this area.

A second subject likely to come under scrutiny in this year's Budget is the use of trusts between husbands and wives. April 1990 sees the introduction of independent taxation for spouses. Husbands will no longer be taxed on their wives' unearned income.

The Chancellor has already said he does not intend to prevent husbands transferring assets to their wives to take advantage of this.

Any anti-avoidance provisions like this would undermine the purpose of independent taxation, since they would encourage the concentration of assets in husbands' hands.

The Government, however, is known to be concerned about one particular abuse. By putting an asset into trust, it will be possible for a husband to transfer income to his wife while retaining control over the capital. This concern is understand-

able: it would enable the couple to reduce their overall tax bill without changing the underlying ownership of their assets.

The treatment of overseas trusts is the third and most significant change expected. At present, any capital gain made by an overseas trust falls outside the UK tax net; it is only taxed when the money is actually paid into the UK. By moving abroad after retirement, it becomes possible to avoid capital gains tax altogether.

There are disadvantages, however, most notably that capital gains tax falls due on the latent capital gain in an asset when it is put into such an arrangement: only the gain that accrues after the asset goes offshore escapes.

This makes overseas trusts ideal arrangements for assets which are expected to rise in value, such as shares in private companies.

Exporting an existing UK trust, on the other hand, is more tax efficient. Tax is only paid on the "hold-over gain"

- that is, the capital gain at the time the asset was transferred into the UK trust in the first place. Provided the trust has been in place for some time, this tax may be relatively light.

The easiest way of attacking an overseas trust would be to apply an exit charge whenever the ownership of assets passes abroad.

This would mirror last year's Budget move to apply an exit charge to companies which move overseas.

If this happens, then all those who have rushed to set up overseas trusts in the last few weeks will give themselves (and their professional advisers) a firm pat on the back.

The Government's continued silence on overseas trusts may suggest a different approach. It may simply disregard the offshore status of a trust in cases where the beneficiary and the donor are one and the same.

This would pull the carpet out from under the feet of those who have rushed to avoid tax, leaving the last laugh with the Treasury.

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UK NEWS

Peace formula could prevent strikes at car plants Union ballot favours one day stoppages at Jaguar

By Richard Tomkins, Midlands Correspondent

JAGUAR'S pay dispute could be resolved peacefully following a union ballot yesterday which produced a small majority in favour of a series of one-day strikes.

Management and unions at the luxury car manufacturer softened their stances and showed signs of re-entering talks.

Industrial action was favoured by 4,492 - fewer than 55 per cent - of the 8,253 manual workers at Jaguar's Birmingham and Coventry plants in the Midlands, where votes were counted yesterday afternoon. There were 3,741 against and 28 papers were spoiled.

The votes of 170 electricians traditionally moderate - have yet to be counted.

Union leaders were equivocal over whether they regarded the outcome as a mandate for the stoppages. Jaguar, meanwhile, made its first offer of talks since the final pay offer in December.

The ballot asked employees

whether they were prepared to take industrial action, including strike action, over the company's refusal to increase its two-year pay offer worth a hit to over 4 per cent each year.

The form of industrial action was not spelled out, but union leaders made it clear they would be looking for stoppages every Monday rather than an all-out strike.

In January, the pay offer was rejected by more than 70 per cent of workers in a ballot. There was, however, no threat of industrial action in that ballot.

Mr Tony Russell, engineering workers' convenor at Jaguar's Browns Lane assembly

plant, Coventry, acknowledged that the union side would have liked a larger majority. He ruled out an immediate start to industrial action, and said the convenors would discuss their next move with union officers.

"It would be very nice to think we could sit down with the company again and come out of it without a dispute, but we have got a majority for a dispute and we will have to wait and see till we have spoken to the officers."

A Jaguar spokesman said: "Clearly the vote was very, very close as we expected. Although there is no new money available, there will have to be talks between the company and the trade unions."

The last part of the company's statement is likely to be interpreted as opening the way to a peace formula that will allow both sides to settle without losing face. The implication is that Jaguar may be prepared to add a non-financial incentive to the package.

Sky TV to make own 'smart card' for viewers

By Raymond Snoddy

MR RUFERT Murdoch's News International plans to manufacture "smart cards" for its subscription satellite television in the UK.

Mr Andrew Neil, executive chairman of Sky Television, the four-channel satellite service launched this month, revealed the decision at the Financial Times Cable and Satellite Conference in London yesterday.

Mr Neil, who is also editor of the Sunday Times newspaper, said the operation would create up to 400 jobs.

Smart cards - which look like a credit card but contain a sophisticated microchip - can unlock the scrambled television signal for pay television services.

Sky plans to introduce a satellite pay television service towards the end of this year. It will charge £12 a month for a two-channel package - Sky Movies and The Disney Channel.

In the US, piracy of pay television signals has been a serious problem. "We think this will be impossible to break," Mr Neil said yesterday.

The decoder box for Sky Television pay services is made by Thomson, the French electronics group. The smart card to unlock the system, however, has been developed by News Data Corporation, a small Israel-based company in which News International has a 60 per cent stake.

Mr Neil said yesterday the smart cards would be made in the UK in a joint venture with an unnamed French company - not Thomson. Manufacture would begin by the autumn and produce at least 2m cards in 12 months.

Bass joins Bacardi, Martini in wine move

By Lisa Wood

BASS, Britain's biggest brewer, is strengthening its presence in its domestic wine and spirits market by forming a joint venture company with Bacardi International of the US and Martini and Rossi of Italy.

The jointly-owned group will sell combined portfolio of brands which include Bacardi Rum, Martini, Otard Cognac, Veuve du Vernay and Enva Cyprus Cream.

The venture covers only England and Wales.

Bass said yesterday: "We realised that we were being left out of the major re-groupings in wine and spirits. A merger will create a strengthening of our sales and marketing efforts which, with a larger number of brands, will be able to push more effectively in the marketplace."

Bass has lagged behind

many of its UK competitors in the drinks industry in developing wines and spirits operations.

Hedges and Butler, its wine and spirits arm, developed out of servicing Bass's own pubs and has acted as an agent for several brands including Bacardi Rum and Mouton Cadet wine.

Hedges and Butler has sought in recent years to strengthen its operations with the acquisition of the wine business of Colman's of Norwich and Cognac Otard.

Bass does not break down the profitability of Hedges and Butler in its financial results, with soft drinks and off-licences included in the division.

In the year to September 1988 this division made a pre-tax profit of £42.4m compared with £29.7m from brewing and

pubs for example.

Bacardi, of which the Bacardi Rum brand is the best selling spirits brand in the world, has also been looking to increase its joint ventures in Europe as part of its push in the European Community before the removal of internal market barriers in 1992.

Bacardi, for example, has formed a joint venture in Spain with Guinness, the UK drinks and leisure group, which, along with IDV, the spirits subsidiary of Grand Metropolitan, is a major proponent of joint ventures.

Martini and Rossi, a privately held Italian company, does its own distribution in the UK although it does have some joint ventures elsewhere including one with Bacardi in the US.

The new joint company will be based at Southampton, on the south coast, in offices now used by Martini and Rossi.

Miss World, the local radio and entertainment group, increased its bid for Piccadilly Radio, the independent Manchester station, to some £3m, severely disrupting a general meeting of the company as the directors adjourned three times to consider the fresh bid, writes Ian Hamilton Fozzy.

Both groups' shares were suspended during the second adjournment and the meeting will resume today to vote on Piccadilly's plans to merge with Midlands Radio, which Miss World wants shareholders to reject as a condition of its bid. Miss World, where Mr Owen Oyston, the Lancashire entrepreneur, is chief executive, claims that 45 per cent of the votes will be in its favour.

Hammer promise on Piper Alpha bodies

By Steven Butler

DR ARMAND Hammer, chairman of the US oil company Occidental Petroleum, yesterday intervened in what has become a bitter dispute over recovery of bodies that may be trapped beneath a pile of rubble left at the bottom of the North Sea after the Piper Alpha oil platform disaster.

Dr Hammer, in a letter to Mr Gavin Cleland, father to one of the victims, promised Occidental would not give up efforts to recover human remains should they be discovered during a detailed survey of the 12,500 tonnes debris pile, to be conducted after the remains of the Piper steel jacket are topped next month.

Dr Hammer also said he had asked Occidental executives to make proposals for a permanent memorial to all of the 167 men who died in the tragedy off the Scottish coast last July. Thirty-one bodies have not been found.

The proposals, however, fall far short of the demands which have been put forth by Mr Cleland and a group of other relatives of the victims, who have travelled throughout Britain promoting their claim that Occidental should be forced to retrieve all debris from the seabed as well as any human remains that can be located.

The group has experienced several weeks of frustration in which they were told successively by Lord Cullen, who is heading the Piper Alpha disaster inquiry in Aberdeen, and by Mr Cecil Parkinson, the energy secretary in London,

Exports of tractors up 9.8%

By Nick Garnett

THE FARM tractor industry reinforced its position as a leading export sector last year, raising its positive trade balance to £432m, a 9.8 per cent increase on the preceding year.

Exports of tractors and tractor engines stood at £812m, with imports at £380m, the Agricultural Engineers Association said. Engines accounted for 55.1m of the export figure last year.

Sales abroad of tractors and tractor kits, measured by unit volume, rose by an even larger figure. Exports last year of 60,283 units, excluding engines, was 12.5 per cent up on the 79,245 of 1987.

The UK vies with Italy as Western Europe's largest tractor maker, measured by unit volume, but is a much bigger exporter than Italy.

West Germany makes fewer tractors than Britain but the overall value of its sales is probably higher because of the strength of the D-Mark and the larger, more complex and costlier tractors it produces.

The three main North American makers dominate UK tractor output. Massey-Ferguson, part of the Canadian Varty group, which produces in Coventry, was the UK's biggest tractor exporter last year.

The biggest export market for UK-made tractors is the US. It took 25.9 per cent of UK output last year, worth £141.9m.

France was the second-largest market, taking 9.1 per cent of UK factory output.

Housebuilder discusses possible £100m buyout

By Nikki Tait

CHARLES Church Developments, Surrey-based housebuilder, yesterday said it was discussing a possible £100m management buyout bid - the latest in a series of such deals, which have become increasingly popular since the 1987 stockmarket collapse.

The housebuilder said talks were proceeding with the Charles Church family interests which could lead to an offer at a price of about 115p a share, which would capitalise the company at £93.5m.

The Stock Exchange, meanwhile, is understood to be investigating the sudden rise in Church shares last week. They jumped 9p on Thursday and a further 12p on Friday, closing the week at 94p.

Mr Charles Church, chairman, said that when he considered asking the exchange to ex-

Housebuilder discusses possible £100m buyout

amine the rise, he was told that the authorities were already looking at the matter.

If the offer goes ahead, it would represent a marginally quicker return to private status than that of Mr Richard Branson's Virgin group - where a £250m management bid was successful last autumn, two years after the company came to market.

Church floated 25 per cent of its enlarged equity in April 1987 at 115p a share.

An offer would probably start with formidable shareholder support since the Church family owns about 70 per cent of the equity.

Last year, Church announced 55 per cent improvement in pre-tax profits to £18.5m. Forecasts for the current year have ranged about £22m to £25m.

Matsushita to raise EC manufacturing output

By Paul Abraham

MATSUSHITA Electric Industrial, Japan's leading consumer electronics group, said yesterday it would raise European production by 13 per cent over the next three years.

The company, which trades under the name of National Panasonic and Technics, and half-owns JVC, gave no details about the possible scale of investment. However, it said that it had invested \$200m in Europe to date.

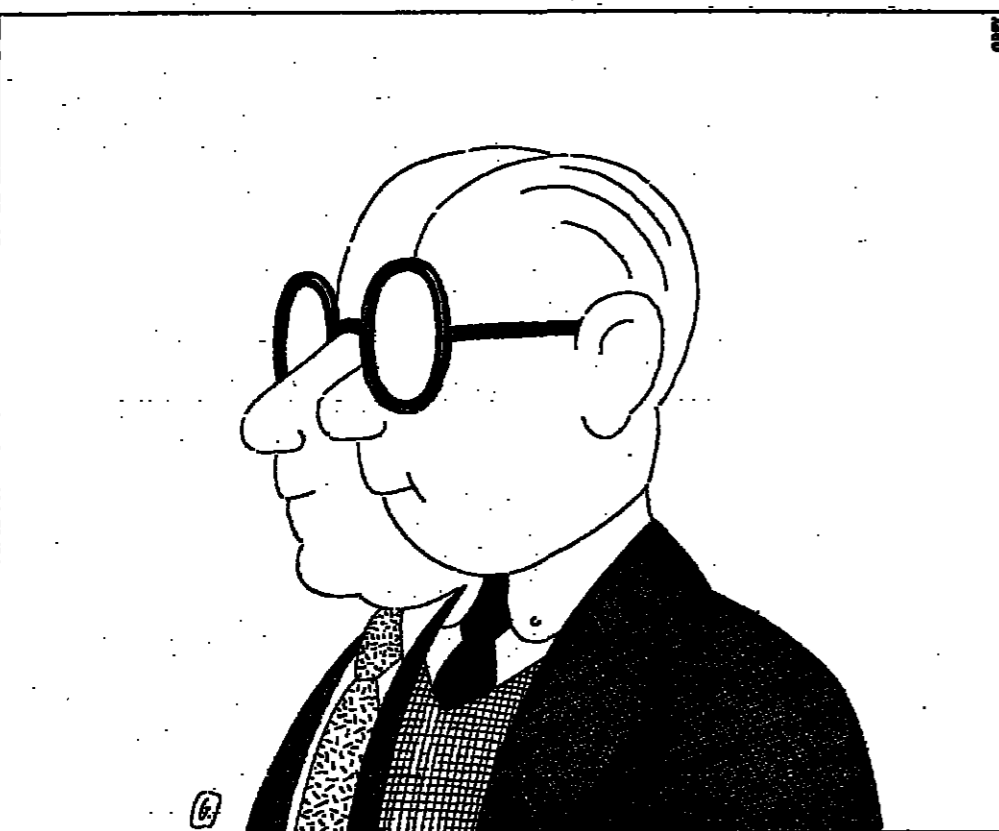
The company said it was conducting feasibility studies to establish possible locations for new investment. Wales is a likely candidate for any new manufacturing facilities.

Matsushita has large manufacturing facilities in Port Talbot in South Wales and said it would be logical to expand in where it already had production.

The company said it would expand European production to the equivalent of about 50 per cent of sales in the European Community. Matsushita's European turnover last year was \$4.2bn.

Matsushita said it was strengthening its existing European manufacturing facilities to reduce its vulnerability to accusations of dumping.

Separately, Mr Koju Suzuki, president of Panasonic Europe, said that the company would be expanding its European research and development facilities. He said a likely location for that investment was West Germany, but added that there was a possibility that resources might be shared between two EC countries. An announcement should be made towards the end of this year.



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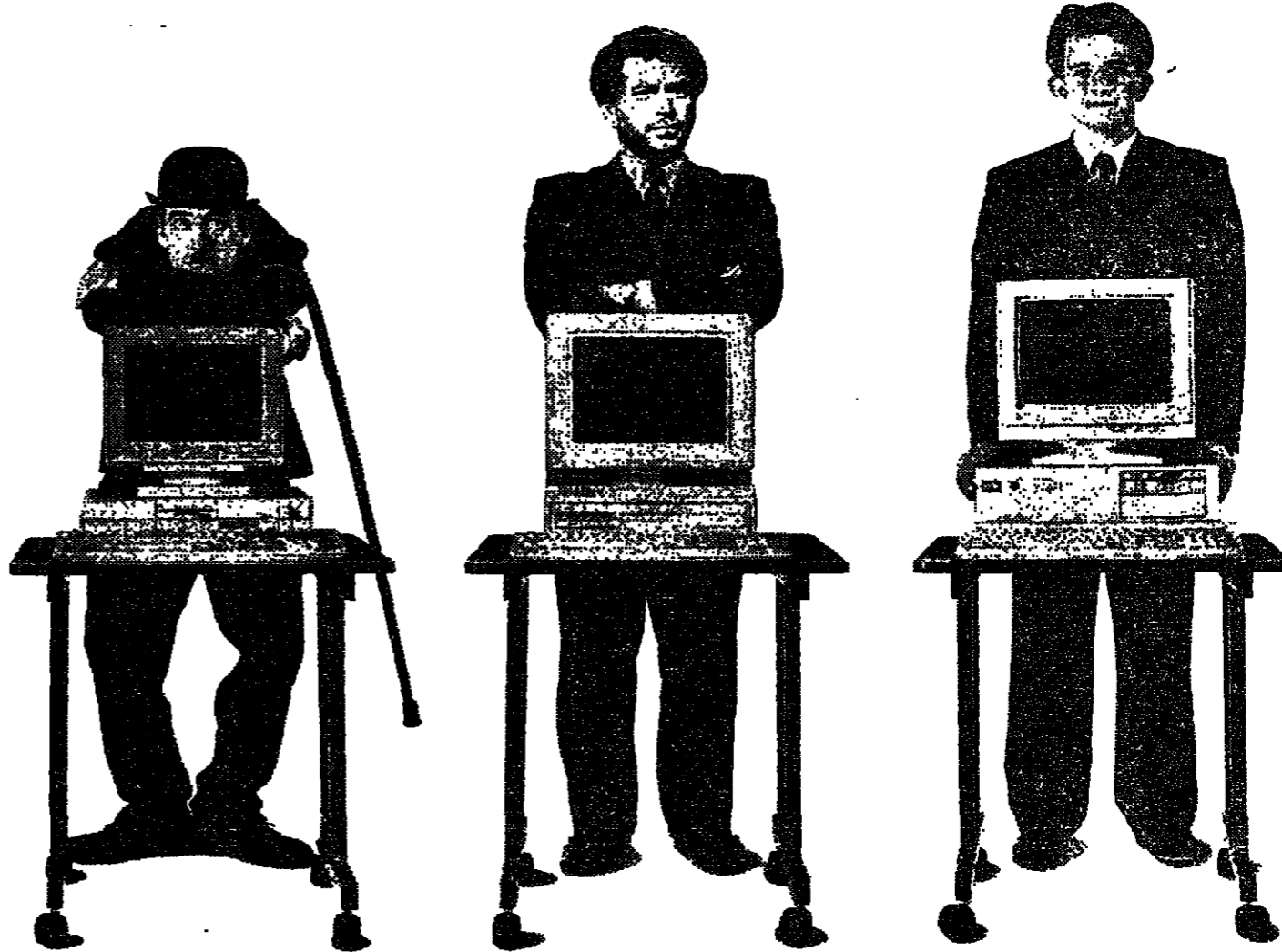
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UK NEWS

ICI set to raise anti-pollution standards in UK

By Peter Marsh

THE BULK materials subsidiary of Imperial Chemical Industries, Britain's biggest chemicals company, is preparing to raise its environmental standards as part of a move to anticipate the likely introduction of tougher European Community anti-pollution regulations.

Mr Richard Pocock, director of health, safety and environmental affairs at ICI's chemicals and polymers unit, said the cost of the measures was likely to be substantial. The unit has annual sales of about £5bn.

The chemicals and polymers group makes and sells a range of bulk chemical products such as plastics, chlorine-based solvents and sulphuric acid. The group, which accounts for just under half of ICI's £12bn annual sales, has its biggest plants centred on Merseyside, in north west England and Teesside in the north east.

The move comes as the European Commission in Brussels considers a range of measures to unify environmental standards across the EC before the single market in 1992. The chemicals industry is likely to be particularly affected by such measures, which would cover emission of waste gases and liquids into the air and rivers.

Some representatives of the UK chemicals sector believe the EC-inspired regulations may be more onerous than UK anti-pollution laws.

Mr Pocock said he thought ICI's bulk chemicals plants had a generally good environmental record but that more could be done to ensure that high standards were applied uni-

formly. Also, anti-pollution regulations in Western Europe could be expected to become more rigorous, reflecting increased public and political interest in environmental matters.

Measures being introduced across the chemicals and polymers group include reporting procedures under which managers at all 30 European plants will report monthly any undischarged chemicals and the degree to which their plants comply with specific environmental laws. Twenty-three of the plants are in Britain.

Other new moves include:
 ● Stricter standards over waste emissions by ICI plants into the Tees and Mersey estuaries. These emissions, covering chemicals such as chlorine-containing compounds and ammonia, are generally within legal limits but may have to be modified in the light of new EC regulations.

● Tougher procedures over channelling of waste gases into the air from factory chimneys. Particular gases over which ICI may seek greater controls include oxides of nitrogen, which can lead to acid depositions.

● More training for the chemicals and polymers unit's 35,000 staff on environmental matters.

● Links by individual ICI plants with local community groups to foster ways of encouraging wildlife and safeguarding the ecology around these sites.

● More rigorous management of stockpiles of hazardous materials to ensure that inventories of such substances are kept low.

Agency plans a brighter future in Black Country

Hazel Duffy examines moves to rejuvenate part of the Midlands through new jobs and investment

MR BILL Francis, chairman of the Black Country Development Corporation, oversees nearly 6,500 acres of land in the West Midlands region of Britain.

His brief is to set in train the regeneration of an area which bears all the scars so familiar in parts of the UK which have suffered industrial decline.

The corporation, one of the second generation of urban development corporations (UDCs) set up by the Government in 1987, is a facilitator rather than a developer in its own right.

The corporations were formed as Government agencies to attract new investment and businesses to areas of industrial decline and high unemployment.

The Black Country is difficult terrain. Some 1,500 acres are classified as derelict or under-used.

The area is criss-crossed by railways, local roads and canals which were built to service the traditional metal processing and engineering activities of the region. Land contaminated by industrial waste and old mines, is another legacy of the past.

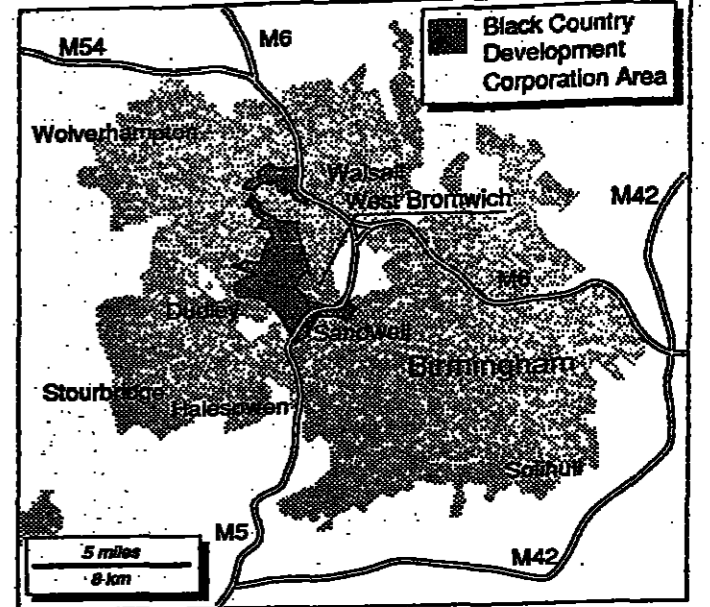
Some 35,000 people live within the boundaries of the corporation, which means the Black Country UDC must pay a lot of attention to fostering good relations with local people and large companies, such as the international engineering group TI, and a multitude of smaller businesses.

The area also takes in three local authorities, Sandwell and Walsall, which were joined by Wolverhampton when the boundaries of the UDC were extended nearly a year after it was set up.

Mr Francis, a former chief executive of Parmac, the civil engineering company, is undaunted by the scale of the task in bringing economic and physical renewal to the area.

He believes the UDCs have been given most of the necessary powers to do the job. But, in the case of the Black Country, one vital ingredient was missing. It was given no land when it was formed. Land prices started to rise soon after the UDC board was appointed. Another problem in the Black Country was the status of the enterprise zone - the government-designated area where new businesses enjoy free rates - which has been the engine for development in other UDCs (except Merseyside).

Land acquisition is the first step for the UDCs. One of their prime targets is to assemble



land, which can be done by agreement or compulsory purchase orders. The owners are usually the local authorities, public utilities, big companies and often a myriad of small companies. In the Black Country, much of the land was still owned by companies which were no longer operating. Most of the sites are small, less than 20 acres.

The first 18 months of the UDC's life were dominated by land acquisition. The corporation expects to end up with 700 acres, most of it derelict, of which 300 will have been compulsorily purchased. "It is enough to enable us to act as a catalyst and, more important, to hold land prices," said Mr Francis.

The corporation has a limited life. Although not specified in the parliamentary order which set it up, the UDC is working to a scale of about eight years. "That means we have to fire on all cylinders at once," said Mr David Morgan, the UDC's chief executive.

In March 1988, the Black Country scored a victory when the Government allocated £50m towards a new five-mile road. This will link existing roads to provide a direct route to the M5 and M6 motorways. It should be completed by the end of 1991. "If it had not been for the existence of the corporation, it would have taken 20 years for that road to get approval," Mr Francis claimed. Another landmark in its short history was an agreement with the Speyhawk Alton Group to develop a £300m leisure and retail project on the former Patent Shaft and Moorcroft sites near Sandwell. Schemes involving another

£30m of private investment have been approved so far. The UDC also administers the Government's City Grants scheme in its area. Some £2.5m of grants have been approved, which will generate nearly £13m investment.

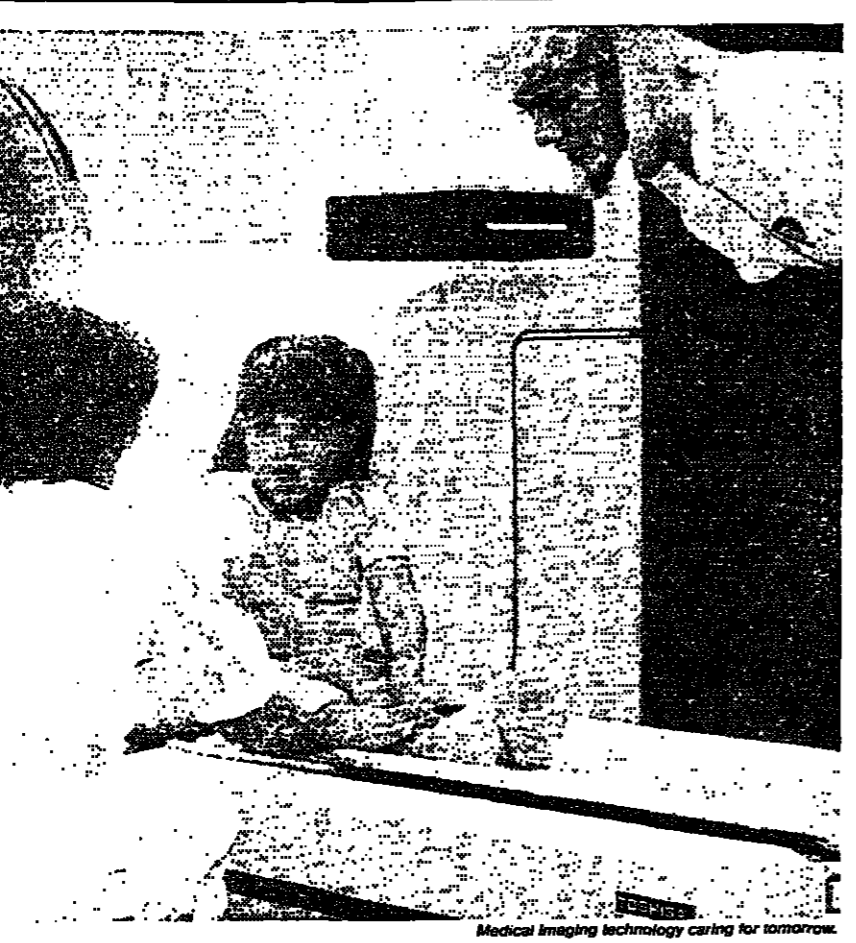
The Black Country has 40km of canals. The areas around the canals are now seen as an asset, particularly as a setting for the sort of executive housing the area is short of, and which is needed to attract outsiders. Lower-priced housing is also required in the area, where much of the existing stock is of poor quality.

Regeneration, however, goes far beyond the renewal of the bricks and mortar. The UDC has a role in the provision of training facilities, and it will be bidding for one of the new City Technology Colleges - the business-backed schools with industry-orientated curriculums.

All of this can only be achieved by working with other government agencies and the local authorities. Relations with the councils, which are represented on the UDC board, are reasonably good despite their initial hostility to having a UDC imposed by the Government.

But a tremendous task stares in the face of every visitor to the Black Country. The Corporation expects about £200m from the Government spread over seven years. If this amount generates four to five times the sums from the private sector, it will begin to make an impact. But it will only be a start.

This is the first in a series of articles examining the progress of the Government's UDCs.

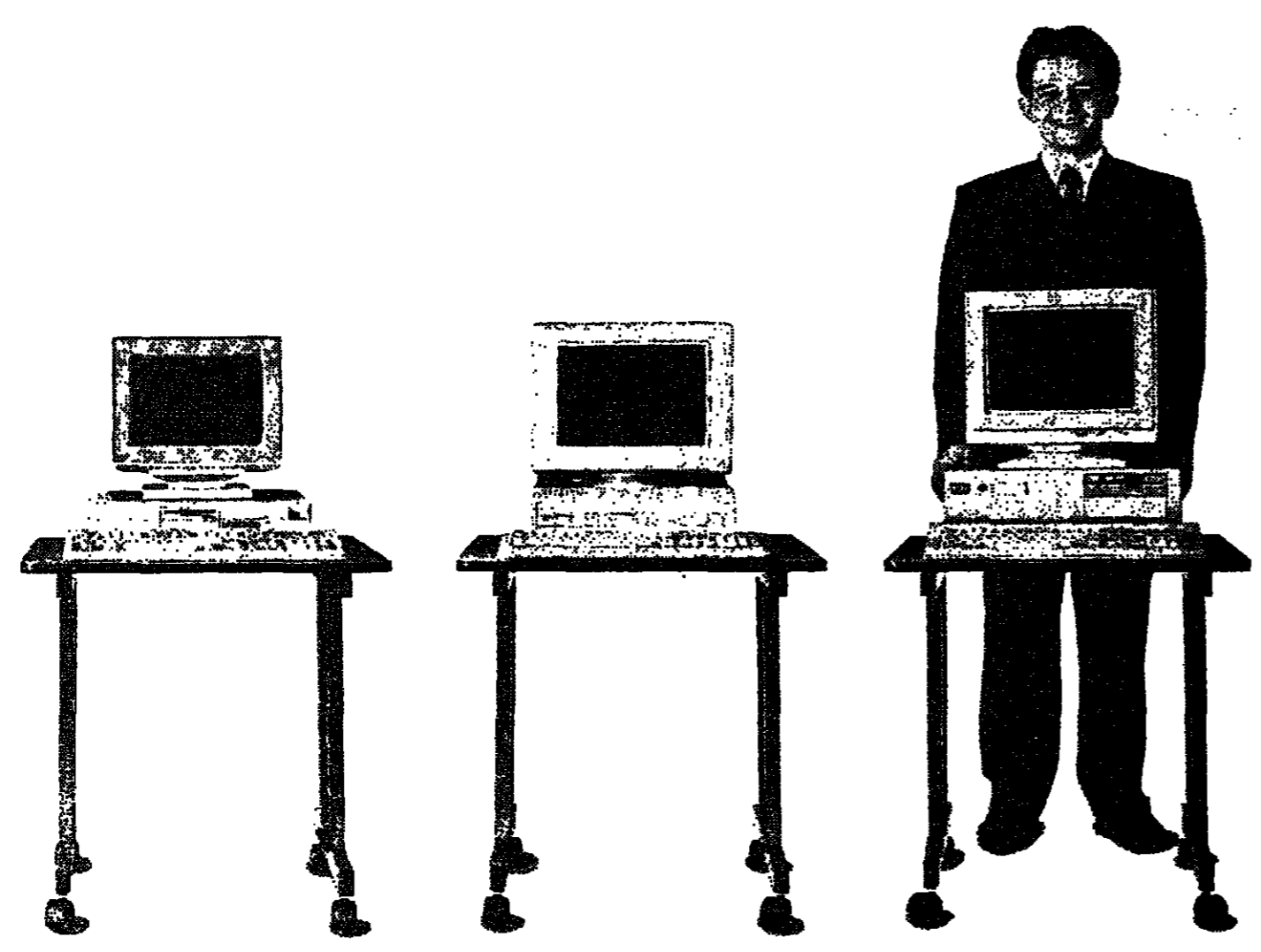


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US group chosen for electricity plant

ONE OF THE 12 area electricity boards in England and Wales has chosen a US company to draw up plans for its first independent power station after the privatisation of the electricity industry in 1990, writes Maurice Samuelson.

The South East Board (Seaboard), based in Hove, Sussex, said that Applied Energy Services Electric had been asked to carry out feasibility studies

for a 100 MegaWatt - 200MW station using gas or coal.

At present prices, the scheme would cost between £50m and £200m to construct, depending on its size and the technology selected.

Mr George Squir, chairman of Seaboard, said AES Electric and Seaboard would be working closely on the project, the success of which would depend

on whether it offered electricity at a competitive price to the 4.5m people in the area.

AES Electric, based at Arlington, Virginia, claims to have experience of both coal and gas-fired plant and to operate three power stations in the 100MW to 200MW range in Texas, Pennsylvania and California. It has two more stations being built and contracts signed for four more.

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ARTS

Dark, personal gods and icons

William Packer reviews one-man shows by Andrzej Jackowski and Sydney Nolan

Andrzej Jackowski, a graduate of the Royal College in the late 1970s, is one of that generation of younger British painters, that emerged around 1980, whose work is loosely expressionist in its manner and characterised by a mystical or symbolic figuration.

There have, of course, been changes in the work in that time, yet it remains immediately recognisable as his, in both method and imagery. Jackowski has always employed a rich, warm palette, low in key, with a surface dense and the paint worked with a soft, feathered touch.

Such unspoken suggestion always gained by the technical concentration of its making, and it seemed that Jackowski was all the better for resisting the orthodoxy of his contemporaries, that assumed an inflated importance would always follow upon an inflated scale.

Sinopoli

FESTIVAL HALL

On Sunday Giuseppe Sinopoli conducted the Philharmonia Orchestra and Chorus in a concert of Italian music - Verdi and Respighi before the interval, Rossini after it.

Words of praise for this conductor are uncommon in these columns, but the Rossini performance, at least, provided an occasion for using them lavishly. There was an air of commitment about it, a determination to show Rossini at his grandest, that was very winning.

(We had a reminder of this Sinopoli throughout Verdi's *Il Trovatore* Overture and in the closing stages of Respighi's *Pines of Rome*, though the orchestra executed his ideas with such panache that in both works the effect of vulgarity was redeemed by undeniable excitement.)

The marbled severity of Rossini's mature liturgical music

is veined with lyrical warmth (sometimes called "operatic" by those Northern puritans who disapprove of the combination). Here, the balance between the styles and forms of the component movements seems strikingly obvious.

On paper the choice of solo singers looked sound - two Italians for top and bottom parts, two Scandinavians in the middle. In practice, the casting worked.

Peter Lindroos, the tenor, is not a Rossini stylist, but the voice was in good shape and the notes were honestly sounded. Katia Ricciarelli sang some phrases with melting eloquence, and others in rather more hit-and-miss fashion.

The bass, Simone Alaimo (who made an unscheduled single appearance in last year's Covent Garden *Il Barbiere*), was ideal in weight, tone-colour, style: we must hear a great deal more of him.

Max Loppert



"Billy Budd" by Sydney Nolan, 1977

visual oath, as forceful and striking as it is empty of thought.

And yet in three further heads, the earlier "Colonial Head" (1947) and the later "Head" (1964) and "Billy Budd" (1977), we discover first a prevision, and then true echoes of the authentic Kelly, an image of tragic, humane simplicity.

to statement, simple as they are, that are entirely resolved in themselves and at one with each other. And then comes the group of cockerels (mid 1970s), each one ill-drawn and crudely painted to a degree that we wonder only that anything delicate or sensitive, or even interesting, could come from the same hand.

Six Characters in Search of an Author

MERCAT DE LES FLORS, BARCELONA

Last July, on this page, Anthony Curtis reported from the Avignon Festival on a remarkable Russian revival by Anatoly Vassiliev of Pirandello's *Six Characters in Search of an Author*.

The production has been playing for several performances in Barcelona's flower market on Montjuich Mountain, one of several civic temples built for the World's Fair of 1929. It seemed entirely appropriate that Vassiliev's shattering and revolutionary reappraisal of one of the century's seminal theatre works should be given in a venue first reclaimed as a performance space by Peter Brook.

Barcelona was the 20th port of call in two years. This week the company has been in Prato. The important news for Londoners is that *Six Characters* will be coming to LIFT this summer, and plans are well advanced to install it in the

British Academy for most of July. The performance is a deconstruction of the text, suggesting a parity between the father and the theatre director. But all the roles of the acting company and the visiting family are confused and exchanged in a super-charged babel beneath a blazing white gauze canopy, many of the audience sitting in chairs on the acting area.

The atmosphere is light, vaudevillian, with actors in pork pie hats and pastel-coloured jackets, silk veils and soft dresses. Igor Popov's design makes cunning use of a diagonal white traverse curtain and the distant backcloth of the third act classical garden.

Every single moment, every speech, is imbued with a throbbing actuality, of "this happens now." It is an extraordinary sensation to be enmeshed in this process while also immersed in the comforting nostalgia of an omnipresent jazz soundtrack and the live playing of a Chopin waltz.

Michael Coveney

Cherkassky

FESTIVAL HALL

Now sidling into his seventy-eighth year, the pianist Shura Cherkassky remains a serenely indefatigable virtuoso of the keyboard and of the imagination. There is no sign that he is narrowing his vast repertoire, nor any prospect of his becoming content (like most venerable performers) to recycle his favourite pieces in his preferred ways.

That leaves critics as much at a loss as note-writers. What especially delighted or, possibly, dismayed you about what he did this time may never be repeated. The only certainty is

that there will always be some superlative piano-playing (with the odd finger-slip - it's never machine-tooled), that he will light up from detail or whole pieces in unforeseen ways as the mood takes him, and that the instrument will again become a repository of amazing sound-possibilities. To disagree with something he did in a particular concert would be not only officious, but quite beside the point.

This time he reviewed some standard Beethoven (the E-flat sonata op. 27 no. 1), Schumann (the *Etudes symphoniques*, without the now-fashionable extra variations) and Chopin (the four Impromptus and the F minor Fantasy). There was also Liszt's *Réminiscences de Don Juan* - a Cherkassky party-piece, but ever new - and Copland's *El Salón México* in Bernstein's solo piano version. The latter was cheerfully brazen and hard-edged; else-

where the Cherkassky imagination was chiefly and intricately engaged by individual sections or variations, throwing off from time to time a flight of pearly brilliance.

As wholes neither Beethoven's continuous "sonata quasi una fantasia," addressed with pawky simplicity, nor the Schumann - a feast of musicianly insights - made any great cumulative effect. (Since the standard thing to do with Schumann's finale is to drive straight through it, Cherkassky separated it delicately into fascinating parts.) Chopin's sectional Fantasy did make a limp whole, thoughtfully explored, and each of the Impromptus was realised in exquisitely varied *chiaroscuro*. Cherkassky's treatment of the *Don Giovanni* fantasy grows ever more fitful, pianistically rich and strange.

David Murray

Borodin Quartet

QUEEN ELIZABETH HALL

The Borodin Quartet's recital on Sunday afternoon brought two immediate surprises. The first, that the hall was not absolutely full, could perhaps be explained by the cancellation at the very last minute of the group's previous South Bank appearance a week earlier, and by the programme of Debussy and Ravel which lay outside what has to come to be regarded as quintessential Borodin territory.

How keenly anyone

responded to the Borodin's Debussy and Ravel would entirely depend on one's willingness to trade immaculate execution for the occasional lack of instinctive response to the idiom. Certainly the Wagnerian impressions of Debussy's Quartet found a closer correlative with this suave, well-rounded sound world than the more thoroughly Gallic textures of Ravel, where a sometimes strait-laced rhythmic sense and fulsome phrasing of melodies made the music less buoyant than it can seem with leaner, more wayward treatment. But quartets that intellectually might be more Francophone are unlikely to have managed the close of Debussy's scherzo with such finesse that the music appeared to evaporate before one's ears, threaded

the solos for viola or muted cello through his slow movement with such understated eloquence or weighed pizzicato against arco textures in the Ravel so unerringly.

In Stravinsky's Three Pieces the vivid rendering of every nuance gave these extraordinary inventions a potency that belied their minuscule proportions. When taken at absolute face value and not tamed into anecdotal character pieces they become as unprecedented and disquieting as *The Rite of Spring*, a miniaturised revolution all on their own. No "interpretation" is required; perfect rendering, as the Borodin recognised, achieves all that is necessary.

Andrew Clements



Brian Hickey, Sean Murray, Colin Hurley and Christine Moore

The Comedy of Errors

THEATRE ROYAL, BRISTOL

You don't often see such a splendid audience at a Shakespeare play, such a happy preponderance of the young, in their late teens and early twenties. "Is it a set book?" I heard someone ask. *The Comedy of Errors* may be Shakespeare, but it's no material for a set book. When you've had the jokes about the two sets of

twins, what else is there? Well, at Bristol, there is Phyllida Lloyd's direction.

We see from the start that affairs will not be conventional. Unhappy Egeon (Stephen Levy), likely to be executed for landing in Ephesus unless he can find 1000 marks, stands against a black cloth with his head under a spot while a babble of electronic gossip sounds behind him. When the Duke has heard his case, he takes a flick-knife from his cloak and cuts his bonds to set him temporarily free. Then, in a sudden blaze of light, the scarlet-clad citizens of Ephesus perform a kind of round dance to represent the common people.

This a good time to examine Anthony Ward's set, where floorboards and chairs may appear on the walls or the ceiling, a clouded blue sky covers much of the floor, and doors and other means of access are set in sundry odd places. One door high up opens a couple of times to reveal a character upside-down. It is clear that we aren't to follow the rule that in farce the people and events must be credible.

Shakespeare's people and events are credible, but the Bristol comedy to refer to play for visual laughs than verbal. I resented this at first, and tried listening to the lines without watching the action, but not for long, for there was so much fun to be seen. The playing on the whole is as good as the play needs. I particularly enjoyed the encounter between Antipholus (Brian Hickey) and

the goldsmith (Gary Yershon), where dialogue really took over until the two of them ended up handcuffed to the officer. I loved Luciana (Caroline Loncy) and Adriana (Rose Rowl), who makes her first appearance in an imaginary swimming-pool.

Joke entrances and exits abound, through a wall, through a floor, wherever. At one moment the action suddenly stops, and Bach's so-called *Air on the G* string temporarily replaces the dialogue. But the play, rather than the comic business, comes to life - sort of - when the Abbess (Christine Moore, who has also been fat old Nil) comes from her abby with the line "Most mighty duke, behold a man much wronged, and produce the Ephesus Antipholus to face the Syracusean (Owen Teale). The long-delayed meeting of alternatives is always effective, and here we had actual emotion at last, amplified by the Bard's unforgettable romance of marrying off the Abbess and Egeon.

With all four twins united, Egeus hailed the ladies satisfied, the goldsmith paid, all debts redeemed, nothing is left but universal content. Off they all go by a narrow exit upstage, not quite wide enough for two Dromios together, as they would like it. They have to turn sideways, but together it is. Which will be scalded with Nell we shall never know.

B.A. Young

ARTS GUIDE

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited London production of Luciano Berio's *Un re in ascolto* is one of the Royal Opera's greatest triumphs in recent years, a dazzling blend of sounds, themes, and dramatic visions brilliantly staged by Graham Vick. Stephen Hagen takes over as conductor, and the superb cast includes Donald McIntyre, Robert Tear, Kathryn Harries.

Paris

Théâtre des Champs-Élysées. *La Sonnambula*, a new production in co-operation between the Théâtre des Champs-Élysées,

Wales National Opera Grand Theatre de Merthyr

Opera. *Die Meistersinger von Nürnberg* alternates with the *Spectacle de Baliles* choreographed by Balanchine, Mastine and Twyla Tharp to music by Hindemith, Tchaikovsky, Haydn and Bach, respectively (420577, information in three languages 42425740).

Brussels

Théâtre Royal de la Monnaie. Festival de Richard Wagner with Jose Van Dam/Tom Krause as Amfortas, Harald Stamm as Gurnemanz, Livia Bodal as Kundry, Johannes Rein as Parsifal. Orchestra and Chorus of the Monnaie conducted by Sylvain Cambiague, production by Peter Mussbach (Wed).

Vicenza

Folkoper. In repertory: *Kiss me Kate*, conducted by Herbert Mogg; *Don Giovanni*, conducted by Konrad Leitner; *Twelfth Night* conducted by Konrad Leitner; *Cost Fan Zang* conducted by Herbert Leitner; *Häufigmanns Erzählungen* conducted by Franz Bauer; *Thausel: Der Zigeunerbaron* conducted by Rudolf Bibl (Tel: 51444, ext. 2662).

Berlin

Opera. *Der Liebestrank* is revived with a star cast led by Lucie Arnould, Richard Leech, Ingar Wittell and Roland Oesper. Turn-

dot in Götter Friedrich's

production with Glimma Dale-making her debut as Liu, Linda Kelm in the title role, Cornelia Mangn (Gala) and Marti Talvela (Tuzur). *Leslie Mitchell* and *Messias* returns with Karen Armstrong, Kathryn Montgomery-Meisner, The Walker and David Griffith. *Wolfe-Dame de Paris* has wonderful Roland Petit choreography.

Hamburg

Opera. *Ariadne auf Naxos* has a first-rate cast including Hellen Kwon, Anna Tomowa-Sintow, Klaus Koenig and Dieter Welser. *Die verkaufte Braut* is a well-done repertory performance with Joanna Borowka, Hans-Otto Klops, Elisabeth Steiner and Kurt Hill. Also in repertory: Jean-Pierre Ponnelle's wholly delightful production of *Don Carlos* with Sharon Sweet as Elisabeth, Dunja Vejzovic as Eboli, Giuliano Ciannella in the title role and Mario Di Marco as Posa.

Cologne

Opera. *Lohengrin* has fine interpretations by Nadine Secunde, Eva Randova, Ekkehard Witschiba, Eberhard Boechner and Kurt Moil. *Die Fledermaus* features Josef Protschka, Gabriele Fontana, Daphne Evangelistas and is conducted by Georg Fischer.

Frankfurt

Opera. The two Lievi brothers had a most successful opera debut with *Titus*, which opened last week. Cesare Lievi's production and Daniele Lievi's sets sup-

ported the wonderful singing

of Keith Lewis in the title role, Helena Dose as Vitellia, Pia Marie Nilsson as Servilia, Alicia Nafé as Sesto, Man Gregory Jurisch as Publio and conducted by the musical director Gary Bertini. *Orfeo* with Clarry Batha, William Cochran, Heinz Meyen and Manfred Schenk. *Fidelio* features Luana Delvo, Herman Winkler, Wolfgang Probst, Susan Roberts and Manfred Schenk.

Stuttgart

Opera. *Otello* brings Gabriela Benackova-Cap, Amadeos Ambron and Carmen Mammone together. *Die Enghilfungen aus dem Serail* has Tomoko Nakamura, Janice Hall, Yasuko Kosaki and Ruediger Wohlers. *Orpheus*, choreographed by the late John Cranko, and *Dornröschen* by Marcia Haydee round off the week.

Amsterdam

Musiektheater. The Netherlands Opera production of Berlioz' *La Damnation de Faust* is directed by Harry Kupfer. Hartmut Haenchen conducts the Rotterdam Philharmonic, with Hedwig Fassebender as Marguerite, Jean-Philippe Lafont as Mephistopheles, Barry McCauley as Faust (Sun matinee, Tue).

Rome

Teatro del'Opera. Francesco Zambello's neo-classical produc-

tion of Cimron's *Gli Orzi*

of *Coriari* with scenery and costumes inspired by the painter David. Alan Curtis conducts a young cast which includes Anna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers (Sat) and the first performance of a new opera, *Charlotte Corring* by the young Turinese composer, Lorenzo Ferrero (Tues, Thur).

Milan

Teatro alla Scala. A revival of Piero Fagioni's 1974 production of Puccini's *Tosca*, with scenery and costumes by Nicola Benois. Ghena Dimitrova and Maria Guleghina alternate in the title role. Veriano Luchetti and Alberto Cupido alternating as Cavaradossi and Jurg Foss and Piero Cappuccilli as Scarpia, conducted by Tiziano Severini (Fri, Sat, Sun) (86.51.26).

Naples

Teatro San Carlo. Umberto Giordano's *Fedora* conducted by Pierluigi Urbini, with Fiorenza Costo, Lucietta Bizzi and Nunzio Todisco (Sat, Tues). Puccini's *Madama Butterfly* in Mauro Bolognini's production, with Olivia Stapp (alternating with Elena Maori Nuziata) and Eleonora Jankovic, conducted by Bruno Moretti (Sun) (79.72.412).

New York

Metropolitan Opera House. Lincoln Center. Eva Marton has

February 17-23

Washington

Chicago Repertory Dance Ensemble. Civic Theatre. Author Fanny O'Connor, raucous parties and bad dreams are among the inspirations of this popular local dance group whose members choreograph their own works. (502 1500).

Chicago

Washington Ballet. Lerner Auditorium. Performances of *Birds of Paradise*, *Apolló* and *A Night at the Ballet* (Thur) (482 0200).

Tokyo

Tokyo Philharmonic Orchestra plays *La Forza del Destino*, performed in Italian by an all-Japanese cast. (Tues, Wed) (870 6411).

Chinese exhibition at the Theatre Museum

An exhibition of costumes, masks, props and musical instruments from China opens at the Theatre Museum on February 23. A number of Chinese Shadow Puppet images will be shown and there will be a week of films in the Museum's Studio Theatre from March 7-11. *Stage Secrets of the Chinese Opera* is presented in association with the Chinese Cultural Centre, and is seen in this country for the first time. It coincides with the London season given by the Canton Opera at Sadler's Wells Theatre, which opens tonight.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
 Tel: 01-236 8764/5 Telex: 01-248 8000

Tuesday February 21 1989

Standing up to Iran

THE DECISION taken yesterday by the 12 European Community foreign ministers to recall their top diplomats from Iran is a welcome indication that the outrage felt in Britain at Ayatollah Khomeini's "death sentence" on the Indian-born British author, Mr Salman Rushdie, is shared throughout Western Europe.

Whatever the sympathy felt by members of other faiths for Muslims who considered themselves insulted by Mr Rushdie's novel, *The Satanic Verses*, there could be no possible justification in Western eyes for such an extreme and illegal measure. In the Western world people are not sentenced to death, or not indeed to any other punishment, without a proper trial. Even in those Western countries, such as Britain, where blasphemy as a punishable offence is still on the statute book, it has become virtually dead letter and is widely felt to be an anachronism.

to take the law into their own hands.

What is certainly intolerable to any country is that its own citizens go peacefully about their lawful business in their own country, should be subjected to the arbitrary judgments of the leader of a foreign state with entirely different traditions. Whatever may be the extent of the authority of the *faqih* under Islamic law as currently practised in Iran, it certainly does not extend beyond the borders of that state in international law. Any state which makes such claims and publicly orders the killing of citizens of other states outside its own territory, is effectively declaring war not only on the home country of those citizens but on any other state where that act of murder may be perpetrated. And by threatening such murder as "punishment" for the publication of a book, Iran is interfering directly with freedom of expression in any and every country where the book is, or might be, published.

It would therefore be quite wrong for anyone to see this affair as a matter purely between Britain and Iran. It is heartening that Britain's European partners have not seen it that way. They have correctly understood that the threat affects them all and demands a collective response. It must be hoped that other free countries with diplomatic representation in Iran will join in this response. Perhaps in this age of "new thinking" it is not even too much to hope that the Soviet Union would also wish to be associated with it.

Laws against incitement

There are laws against incitement to racial hatred, and against conduct likely to provoke a breach of the peace. Had Mr Rushdie distributed leaflets denouncing Muslims as bloodthirsty fanatics and urging non-Muslims to measures of self-defence, or paraded outside a mosque with a banner reading "Down with Mohammed," he would no doubt have fallen foul of those laws. But he has done nothing of the sort. He has written a novel which can be read as a mildly obscene parody of the origins of Islam. That was a provocative thing to do, but then writers in the Western liberal tradition are expected to be provocative.

Objectively the novel is no more offensive to Muslims than the film, *The Last Temptation of Christ*, was to many Christians. Perhaps Muslims are more easily offended than Christians - a subjective consideration. If so, Muslims who wish to live in a modern Western country have no choice but to learn a little Christian forbearance. They cannot reasonably expect such a country to enforce their prejudices on the rest of its inhabitants; still less to allow them to use violence

Appropriate symbol

The withdrawal of heads of mission is an appropriate symbolic move to make at this stage. Britain itself has already gone further with the decision to withdraw all its diplomats. But what is crucial, if the pressure is to be effective, is that the state should be denied whatever help it looks for from Western countries - arms sales, credit, diplomatic support against Iraq - until it is unequivocally willing to fall in line with the norms of international behaviour and respect the sovereignty of other states.

Mr Clarke's health reforms

MR KENNETH CLARKE, the British Health Secretary, may never have read the pre-war writings of socialist economists such as Oskar Lange. Such scholars felt certain that capitalist means could be deployed to achieve socialist ends. They wanted the state to be all-powerful but to improve its allocative efficiency through the carefully controlled use of market forces. Mr Clarke seems to be trying to do something similar in health care.

Takeover or bankruptcy

In a real-world market, people spend their own money on goods supplied by profit-maximising companies, which face takeover or bankruptcy if they are inefficient. In Mr Clarke's proposed health care market, almost all the money will be supplied by central government. Final consumers (patients) will have no direct purchasing power. Decisions will be taken on their behalf by a range of institutions which will be expected to compete - but not to maximise profit - and which will enjoy near total protection from bankruptcy.

Such a market may well be more efficient than the NHS as presently constituted. But this is not a foregone conclusion. The inability of consumers directly to express preferences or to influence the total size of the market (which will depend on political decisions about health care expenditure), coupled with the assumed absence of profit maximising on the part of producers, means that none of the normal optimality properties of markets will necessarily apply. Yet many costs are certain to rise.

The NHS's present administrative costs are among the lowest of any health service precisely because elaborate pricing and invoicing mechanisms are not used. Money is allocated to regions and districts on the basis of expected health needs. Patients are treated as and when they appear. Money does not change hands. Under the new arrangements, however, invoices will be flying in all directions. NHS Hospital Trusts (opted out hospitals), districts and budget-holding general practitioners will be billing each other and the private sector for services rendered.

Conflicts of interest are

already obvious even at this early stage. The Government, for example, does not want people to think budget-holding GPs will have an incentive to economise on treatment. It is therefore ruling that they should not be able to benefit personally from any surpluses generated. These must be ploughed back into the practice. Yet GPs own shares in their practices which can be sold on retirement; it will thus be impossible to prevent financial considerations clouding clinical judgments.

Similar considerations will apply to NHS Hospital Trusts. Mr Clarke was at pains yesterday to emphasise that they will not be commercial organisations. The only resemblance between the trusts and private hospitals, he said, will be that both will contain doctors and patients. Complex contracts between the trusts and district health authorities will ensure the former fulfil all their community obligations and do not increasingly specialise in particularly lucrative forms of surgery and general medicine.

Influence of profits

Such promises on Mr Clarke's part are admirable. But sceptics must wonder whether he quite understands the nature of the commercial genie which he is unleashing. In the future, family doctors will hold annual budgets of perhaps £1m and employ accountants to run their financial affairs. Hospital Trusts will be as large as medium-size companies and have "backrooms" for processing invoices comparable to those of stockbrokers. It scarcely seems feasible in such circumstances to pretend that the lure of profits - even if they are not declared as such - will not exert a powerful influence.

The pre-war "market socialists" were almost certainly deadened in thinking that the virtues and vices of capitalism could be separated. Markets have a way of imposing their own priorities on participants. Mr Clarke has reiterated his commitment to a tax-financed health service, but the recent reforms may well create irresistible pressures - on the part of both hospitals and GPs - for partial or complete privatisation of health care.

William Hall examines the future for Short Brothers and Harland and Wolff

Privatising Belfast's heart

In the space of three weeks last summer the UK Government quietly put up for sale the three biggest companies in Northern Ireland - Short Brothers, Northern Ireland Electricity (NIE) and Harland and Wolff. By comparison with other privatisations this was small beer: the three companies boast a combined annual turnover of less than £600m and a workforce of 16,000. Yet in terms of its impact on the delicate Northern Irish economy, it was the equivalent of announcing the sale of British Telecom, Rolls-Royce and British Gas at the same time.



Side by side in East Belfast: A Short Brothers aircraft flies over the Shorts factory and the Harland and Wolff shipyard

The decision to sell the best-known symbols of the local economy looks, to many people in the province, suspiciously like a mistake. The exercise could prove almost as politically embarrassing for the Government as the proposed sale of the mainland's water industry. The combination of a hasty and - to many eyes - ill thought out set of decisions, an inexperienced minister and a civil service department with no direct experience of privatisation, could deliver some nasty surprises.

The subsequent delay in the sale of NIE - the only profitable company of the three - has taken some of the pressure off the ministry primarily responsible, the Northern Ireland Department of Economic Development. But it has not allayed the uncertainty, or silenced the complaints. They will surface again on Thursday, when a select committee of the House of Commons is due to publish a report on the subject and leaders of Northern Ireland's main parties will meet the Prime Minister to express their concern in a rare gesture of solidarity across sectarian lines.

Meanwhile, the sale of the two other companies - bids for Shorts had to be in by last Friday, and a decision on Harlands is imminent - is proving to be a complex task. Shorts and Harlands sit side by side in the heart of Protestant East Belfast. They provide almost one in five local manufacturing jobs. There is a real danger that the Government will not be able to secure the companies' long-term survival in the private sector. None the less, it is easy to understand the Government's desire to return both companies to private hands.

Since it took over Harland and Wolff in 1975, the Government has injected close to £500m of aid. The shipyard's workforce has fallen from 10,000 to under 3,000. Over the last couple of years the cost of keeping the yard open has been around £15,000 per employee per annum - roughly three times as much

as the cost of creating new manufacturing jobs locally.

By contrast, Shorts has not been a burden on the public purse. Ten years ago it was considerably smaller than Harlands; it is now considerably bigger. But its financial performance has been disappointing. Even in current buoyant trading conditions it is probably not making any money. Management has been slow to put its house in order - particularly in the area of financial controls - and it would benefit from private sector disciplines.

"There is a tendency to say that because Northern Ireland is different, the normal rules of economic gravity do not apply. That has been said for too long," comments Mr Peter Viggers, the Northern Ireland industry minister.

His critics argue, however, that the Government's rush to push both companies back into the private sector could destroy the supposed benefits of privatisation - such as higher investment and employment.

John Parker, one of Britain's most successful shipbuilders who was head-hunted to run Harland and Wolff 6 years ago, feels particularly bitter. Mr Viggers evokes a carefully thought-out plan to return the shipyard to the private sector. His critics believe, however, that it is more likely that the Government panicked when Harlands signed a "heads of agreement" last April to build the world's biggest cruise ship - the *Ultimate Dream* - for Mr Ravi Tikoo.

The NIO is full of files on earlier grandiose ventures such as the *Lorain* and *Lea-fan*, which cost the taxpayer dearly. The idea of Harlands

getting a \$500m order for four years of work gave ministers nightmares of yet more cost overruns.

So why not let Mr Tikoo buy the shipyard? After all, in the past shipyarders such as Aristotle Onassis and Fred Olsen had tried to buy what is still one of best-equipped, most versatile shipyards in Europe.

But the Government was not prepared to give Mr Tikoo enough money to take the yard off its hands. At the same time it prevented Harland from tendering for new work on the grounds that new orders could be inconsistent with the shipbuilding plans of any new owners. This has led to a serious loss of morale and an exit of skilled workers and is making it hard to sell the yard as a going concern.

In the past, Harlands has demonstrated the ability to

lose great sums of money on new building contracts. And there are good grounds for criticising the management of both companies - though Shorts, at least, has been starved of investment. John Parker argues, however, that the wife farmer fattens up his calf before taking it to market. In almost every privatisation on the mainland, the Government has tried to make the company look attractive.

In this case, say the Government's critics, the authorities seem to have been anxious in the early days to paint a poor picture of both companies. Rodney Lunt, who took over as chairman of Shorts less than a year ago, was so incensed by one ministerial briefing to a national newspaper that he threatened to sue the minister responsible. Relations with the Government have been patched up since then but only because it has promised not to break up Shorts - a commitment it might find hard to fulfil if no single buyer is available.

Criticism of the Government's handling of the privatisation is not confined to people like John Parker and Peter Robinson, the local Democratic Unionist MP. The Northern Irish arm of the Confederation of British Industry has also been openly critical. Mr Noel

Stewart, a senior partner in the Belfast office of Coopers & Lybrand, argues that it would have been more sensible to privatise Shorts first. Harlands, he says, should have been given a 2-3 year timetable leading to privatisation against which its performance could be judged.

The process poses several risks. At the political level, the Government has long since given up counting on Unionist support so the risk of further alienating the local community is not a particular problem. However, if Shorts has to shed perhaps 1,000 staff as it moves into the private sector, and if Harlands closes, the rise in unemployment could mean that East Belfast could come to rival West Belfast as a serious security problem. "You are talking of a lot of idle hands and a lot of people who have things for idle hands to do," says Peter Robinson.

The implications - that out-of-work Protestants might turn their engineering skills to making sub-machine guns - is too melodramatic. The impact of closing Harlands now would be far less serious than when it employed over 30,000 people. Nevertheless, if Harland were to close, the province would lose one of its main training grounds for skilled workers. The shipyard's annual intake of apprentices has already dropped from 900 a year to 50.

Meanwhile, there is a fear that if Shorts does not remain an integrated aircraft manufacturer, more and more skilled graduates will leave the province in search of jobs. At the moment only a third of the company's work is subcontracting, but if this proportion rose as a result of privatisation, it could weaken the firm in the long term. There are plenty of defunct Northern Ireland companies to testify that subcontractors and subsidiaries are the first to be axed in a recession.

But perhaps the most immediate risk is that in its hurry to rid itself of these two companies, the Government may not be getting value for money. The Government has yet to disclose what sort of capital reconstructions it envisages

but it is probably going to have to stump up over £1bn to have them taken off its hands. This would still be considerably less than the £2.5bn or so that the companies estimate it would cost to close them down - £2bn plus for Shorts and £200m for Harlands. So in principle, the Government has plenty of scope to offer suitors a suitable dowry.

However, whether the two companies can be packaged sufficiently attractively to find suitors is debatable. Harlands is rendered particularly unappealing by the shipbuilding industry's chronic overcapacity - and without new orders, it has little more than a year's work left. Shorts is better placed, but selling it would not be straightforward. Demand for its existing aircraft is declining. The company's future is tied up with the new commuter jet, the FJK, a high-risk project on which needs a go-ahead decision by June if it is to have a hope of finding a market window. If Shorts is to have any chance of continuing as an aircraft manufacturer, the Government will have to persuade outside partners to put up much of the £500m needed for the FJK. As the decision is delayed on the FJK, Shorts' chances of continuing to make its own aircraft decrease.

The Government is under even more urgent pressure to decide whether to back a management and employee buy-out of Harlands or a rival offer from the management team of Bulk Transport Shipping. Both bidders are offering new work for the yard in the hope that this will tide it over until an upturn in the world shipbuilding industry materialises.

The Government faces a tricky decision: to back the existing management team which is supported by Fred Olsen; or (a cheaper option) to plump for the Bulk Transport Shipping team, a group of investors who have made a killing in the second-hand tanker market but have no experience of managing a shipyard. Two recent lessons - the closure of North East Shipbuilders, once the home of Britain's most successful shipyard, and Trafalgar House's unhappy experience with Scott Lithgow on the Clyde - are a reminder of the difficulties of interesting the private sector in a loss-making industry which is still largely state-controlled in the rest of the world. As a result of the urgency with which decisions about the future of both companies must be taken, the Government is caught in a cleft stick. If it is generous in order to assure a quick solution, then it could fall foul of the Public Accounts Committee and the European Commission's newly austere approach to industrial subsidies. However, if it does not act quickly and insists on a lengthy process of competing bids then it could severely damage the long-term prospects of both companies. This is not the sort of environment in which sensible commercial decision-making thrives.

Mosbacher's loose talk

Robert Mosbacher, the 61-year-old Texan oil millionaire who is the new US Commerce Secretary, has become the most quotable member of the Bush Administration.

His latest pronouncement concerns the need to reward more fund-raisers and campaign contributors with political posts in Washington and abroad. "We're not trying to foist off any second-grade dummies," he told the New York Times yesterday. "In truth, they are the most successful people in their communities."

Mosbacher, whose net worth is around \$300m, speaks with some experience. As President Bush's chief fund-raiser last year, he raised more than \$60m for the successful election campaign. Some of the contributors and fund-raisers have been given important posts, including ambassadorships to Europe, but Mosbacher now says that "several hundred" fellow fund-raisers deserve appointments to ambassadorships, sub-Cabinet posts and other jobs.

This is not the first time Mosbacher, a champion yachtsman, has sailed into controversy. Last week, he demanded "a seat at the table" in the European Community talks on trade rules for the single market in 1992. And, in another newspaper interview, he argued for a delay in approval of the transfer of US technology to Japan for the FSX fighter project "because it is that hot a subject."

Conventional wisdom in Washington was that Mosbacher's wife, Georgette, a flaming redhead with a flair for low-cut dresses and fast-sized jewellery, would capture the headlines. So far, she has been upstaged by her husband shooting from the lip.

OBSERVER

FCO off beam

It seems that the British Foreign Office can do nothing right these days. A note has gone out to diplomatic correspondents about the forthcoming CFE (conventional forces in Europe) talks in Vienna. It encloses the details which the Foreign Office says that it has received from the Australian authorities.

And while we're on the subject of the Foreign Office, it does seem a bit odd that a body whose diplomats spend much of their time criticising other Europeans (especially the Germans) for being feeble should have been so laggard in breaking off relations with Iran. When there is a threat to the free movement of culture, continental Europeans stand firm. Well done, Brussels.

Just Worcester

The trouble with Robert Worcester is that there is only one of him. Worcester is the chairman of MORI - Market & Opinion Research International - which celebrates its 20th anniversary this week. An American and a Democrat, he came to Britain initially on a four-year contract to help set it up. It soon began to work. Worcester's first client was the old Board of Trade, now the DTI. The first politician to seek his advice was Harold Wilson, then the Prime Minister.

As in most market research work, the political polling is only a small part of the whole, but it is the bit that catches the public eye. Worcester and MORI have continued to do that. What Worcester really needs, however, is somebody to stand up to him.

In America they do it all the time. The pollsters appear on the political programmes, slamming into each other with



their conflicting findings, and very entertaining and informative it is. Here there is only Worcester. Somebody ought to give him a fight; he is a very pugnacious fellow.

Going on 50

The Commonwealth is moving towards its half-century, not in age, but in membership. There are at present 45 members and would have been 49, if Fiji had not departed. Now it looks as if Pakistan is preparing to return under Prime Minister Benazir Bhutto and the willingness of India to lift its veto. Also lining up to join is Namibia, so the 50 could come up at the Commonwealth Prime Ministers' conference in Malaysia in September.

Will that be the lot? The two countries with the right credentials to belong, but which chose to stay out, are Burma and South Yemen (formerly Aden). The two other countries which have left over the years are Ireland and South Africa. Winston Churchill once toyed with the idea of inviting Israel

to join, but did not get very far. Yet in the present state of flux in international relations, perhaps it would be wrong to assume that the Commonwealth is reaching its limit. Developments in Southern Africa or even the Middle East could still produce more candidates.

Still Boardman

The world is not likely to be any the wiser by the end of today about the future of the chairman of the UK's largest bank, Lord Boardman of NatWest.

Although the bank's top people will be out in force for the announcement of the annual results at the top of NatWest's trading in the City, he will not be revealing whether he intends to stay on now that he is 70. That announcement will be made "in due course" in advance of the annual meeting in April.

Speculation has continued to swirl around Boardman's plans, although the combination of his own evident desire to continue, and the difficulties NatWest has had in finding a successor, means there is still more than an even chance he will stay on for another year.

And while NatWest has been hit by the losses at County, its investment banking arm, the uncertainty is less debilitating than it might be. That is because the NatWest chairmanship has traditionally been rather a figurehead post compared to other banks like Midland and Barclays. Thus change at the very top has less meaning. Still, the lack of decision cannot be doing the place much good.

Bad planning

Graffiti on a poster on the Northern Line of the London Underground: "If God had meant us to travel in the rush hour, He would have made us much smaller."

THE

IS NOT THE LIMIT FOR LONDON & METROPOLITAN

Robert Moreshead announced at the end of May last year that his cable TV network was expanding into satellite TV and taking four channels on the ASTRA satellite.

He required a transmission studio complex, L&M and Eagle Star's Centaurus Business Park, Phase 2, at Osterley met SKY's 70,000 sq ft requirement and following negotiations in July an on-air deadline was agreed for 5 February 1989.

Quote by Andrew Neil, Chairman SKY Television: "SKY Television plc wish to thank London & Metropolitan for their effective management of this project and achieving our on-air date of 5th February 1989."

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LETTERS

Misconceptions about the water industry could lead to disappointments

From Mr J. Leigh Pemberton. Sir, While on the subject of misconceptions, I cannot let all that Mr Bellak, the chairman of Severn-Trent Water, says (Letters, February 17) go without comment. Customers of a statutory water company have been very effectively protected, de facto and, probably, de jure, against price increases. Moreover, it demonstrates a failure to understand the reality to suggest that these water companies have no incentive to be efficient. All companies have managers and employees; one part of a manager's job is to motivate his/her staff to get the job done and within a reasonable cost. In the case of a statutory water company there is an additional very real motivation. Over 90 per cent of the staff of a water company live and work in the area covered by

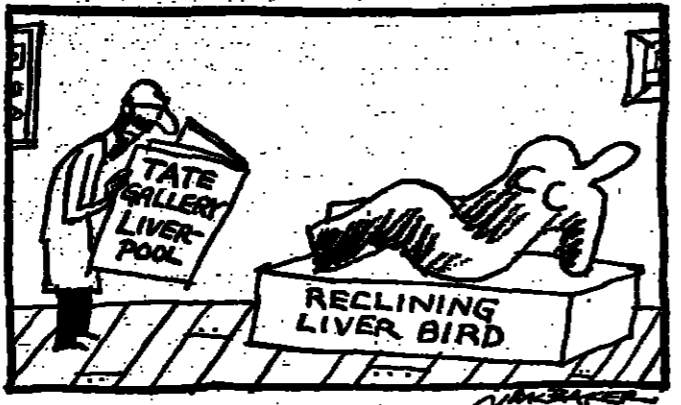
the company's service, and his or her... all of them - are consumers of this service. I can think of no other product or service company where the individual (be that individual a pipe layer or a chief executive) is more conscious of or more exposed to the market place. If a neighbour receives an intolerable water, or a shock in the form of increased charges, the employee of a water company does not have to wait to be told by head office. This is why the crisis of the strike in January 1988, the great freezes in 1986 and 1987, and the storms in 1982, produced stories of remarkable dedication by members of staff. As the chief executive of a fully listed company I am well aware of the value of the profit motive. It is not, however, the only incentive to efficiency. If it were, where does it leave Mr

Bellak's managers? I am not asking to put the clock back and halt the march towards public limited company status because my colleagues and I are moving in that direction. What I am concerned about is that if Mr Bellak's misconceptions are at all general misconceptions - and you can find them mirrored in the reports of the Monopolies and Mergers Commission and in the white paper on the water industry - there will be anti-climaxes and disappointments following the conversion to public status. I believe companies will become more efficient, though with a new type of shareholder in a new investment environment this will not produce dramatic savings to the consumer, nor will it achieve this overnight. Mr Bellak may have missed a further point. Statutory water companies

have exercised their own form of competition. Taking the position nationally, they have competed with inflation and with their local water authority, and have generally kept their increases in charges below both. The one unfortunate by-product of this historical restraint has been that, in common with most of the country's infrastructure, the water companies have under-invested. Many of us feel that we, as consumers, have been over-protected. If control by commitment to the community and by limitation of dividend and reserves provides no protection to the consumer's pocket, how is it that it has been so effective? J. Leigh Pemberton, Chairman, The Mid Kent Water Company, The Mill, High Street, Snodland, Kent.

Loyalty is longer term

From Mr J.D. Hewitt. Sir, Andrew Taylor's article (February 1) about Mr Crooks of Trust House Forte and his regard for UK companies requires comment. Perhaps if Mr Crooks were to take a leaf from his own companies' marketing strategy when dealing with contractors he would realize that by promoting a loyalty to THF from a comprehending supplier he may also develop a quality-aware and cost-conscious one. Trust House Forte, through Mr Crooks (in common with most high purchasing power companies), constantly seeks to achieve the lowest capital cost on every project. Thus almost every project is undertaken by a new and - in terms of THF requirements - inexperienced contractor. Small wonder that, with no loyalty on either side of the contract, dissatisfaction reigns. I suspect that Germans and Italians learned their skills by securing long-term contracts, making many mistakes in the early stages, and not repeating them with the same customer on future projects. But this is only possible with a degree of co-operation and planning between customer and supplier. If one judges and chooses on an ad hoc basis, an ad hoc result is what one attains. J.D. Hewitt, Truce Heating Installation, Old Manor Way, Old Woking, Surrey



Merseyside unbeaten

From Mr Richard Francis. Sir, I would like to put into context some of Deanna Petherbridge's points in her review of the Walker Art Gallery's new sculpture gallery (February 4). The national museums and galleries on Merseyside did not come up with plans to optimize their collections - following the establishment of the Tate of the North - Tate Gallery Liverpool (as it is called) was not established primarily to house the Tate's sculptural holdings. Our present display of 20th century British sculpture from the collection is simply the first of a projected series of long-term (three-year) large-scale surveys shows designed to enable more people to become familiar with a part of the Tate's collection. We are naturally delighted

that the upper floors of the gallery are particularly well suited to sculpture, but this display occupies only one third of available gallery space. (The piece by David Mach in this display, Thinking of England, is not made from "booze bottles" but from sauce bottles.) The format of our guide to sculpture on Merseyside does indeed assume that only the front half of equestrian statues fit, but as there are only two equestrian statues out of a total of 71 sculptures illustrated, the loss cannot be counted as too great. Anyway, the guide is intended to lead the reader to the real thing, not to act as a substitute. I fail to see why three maps will not enable the reader to do just that. Richard Francis, Tate Gallery Liverpool, Albert Dock, Liverpool.

Mum is not the only word

From Mrs Caroline Barry. Sir, Thank you for your article. "Nanny may know best, but Mum's still the word" (Weekend FT, February 4). The most heartening thing is that they are written mainly by fathers. It is gratifying to see men tackling these issues, and constructive to have them aired in the FT. I do not wish to decry the campaigning abilities of my own sex, but it is always helpful to hear voices which may ring louder bells in Whitehall, particularly on issues such as tax relief on the cost of childcare. Caroline Barry, Piccadilly Cottage, Sandy Lane, Guildford, Surrey.

Euro-vote exchange

From Mr Andrew Pearce MEP. Sir, It appears from early skirmishes in the Euro-elections campaign that failure to join the EMS exchange rate mechanism is becoming an electoral disadvantage as well as a commercial one. Whatever the interests of the City, industrialists want stable exchange rates. There are many marginal votes in industrial areas if the Government shows regard for their interests. Andrew Pearce, 30 Orange Road, West Kirby, Wirral

Designed for change

From Mr Ivor Owen. Sir, Mrs Kathy White (Letters, February 16) seeks to perpetuate the myth that the Design Centre shop in some way played a crucial role in promoting British exports. In fact it represented only a very narrow area of British industry - for example, no large furniture or domestic appliances, still less any capital goods. An independent survey that we commissioned showed that it was of little use except to a few very small companies. The Design Council has now decided that it must target its limited resources on tackling two of the prime problems that face the British economy. The first, highlighted by the huge trade deficit in manufactured goods, is that too few companies are making products good enough to beat their foreign competitors either in increasingly sophisticated home markets or abroad. So the council's first task is to persuade and assist British industry to put product improvement at the centre of its strategy. Second, we must tackle the lack of skills; this is holding back the product improvement process. This requires a big programme to improve the management of product design in industry; a campaign to

Pension rights and wrongs

From Mr Philip Chappell. Sir, Mr Alan Smallbone (Letters, February 18) is absolutely right. But space did not permit me to point out (Letters, February 18) all the shortcomings of the Occupational Pensions Board's recent report and Mr Smallbone correctly shows the inadequacy of its thinking on full inflation-proofing for all past service. There are many other such weaknesses. What is tragic is the limited public attention given to the OPB report. Once again the built-in complexity of the pension provision has discouraged wider discussion. Yet, for many people, pension rights are an asset more valuable than their house. Mr Malone (Letters, February 18) is almost wholly wrong. Of course I have watched the way in which the experts of the pensions industry, kicking and screaming, have tried to adapt their product in response to public and political pressure. If only they had volunteered evolution instead of having had change dragged out of them, improved communication with members is certainly important, but remains wholly inadequate for most funds. Trying to graft money purchase on to final salary schemes is, however, like try-

Only one hotel has become a legend. Fortunately, legends spread.

ing to cross a camel with a dinosaur; fast-moving, adaptable, climate-resistant animals would not mate easily with extinct beasts which were so noxious and needed enormous amounts of vegetation. "Getting the advantages of each" (as Mr Malone asserts) gives even greater benefits to the rich, the married, the career-plodder, and the high-flying male at the expense - inevitably - of the poor, the single, the career-mobile and the female population. Personal pensions have indeed been sold in large numbers, but mainly to refugees from Serps. With very few exceptions (all praise to Legal & General and others), employers have not been willing to make compensatory payments for those who wished to opt out of employer-managed occupational schemes. The only equitable solution is the simple one: recognise pension costs as part of the individual's remuneration package on a deferred basis (as European law demands), ensure that "real people" understand what they are individually saving each year, and abolish the tax privileges for retirement savings. Philip Chappell, 22 Frogmal Lane, NW2

'The Bank did what it is supposed to do'

From Mr David Andrews. Sir, David Lascelles's "An embarrassment for the Bank" (January 25) was unduly hard on the Bank of England. He agrees that it should have used its influence to stop the purchase of Guinness Mahon going through at the time and that, consequently, Equiticorp's recent collapse must embarrass the Bank. This proposition does seem to demonstrate the application of a more than usually well developed power of hindsight. At the time of the takeover, Equiticorp's market capitalisation was about NZ\$1.8bn, and by this measure it ranked among the top 10 companies in New Zealand. It was indeed highly leveraged and had a reputation for aggressive growth. However, on the basis of the information available at the time, it is difficult to see what grounds the Bank would have had for bringing pressure to bear to prevent the takeover. After the acquisition had

taken place, the Bank did step in and direct Guinness Mahon that it should conduct no banking transactions with its parent. The hope must be that the bank's management would otherwise have taken this decision. However, the instruction from the Bank was prescient: when Equiticorp subsequently did collapse, Guinness Mahon had no exposure whatsoever to it. The bank will now doubtless be sold as a going concern. Whatever roles those within or outside the supervisory institution of a central bank may wish to play, it should have two main aims: to maintain confidence in the banks under its supervision, and to protect depositors. The second aim is, of course, closely linked with the first. Judged by its achievement of these two objectives, in this case the Bank did exactly what it was supposed to do. There is no risk of depositor loss as a result of Equiticorp's collapse, and no one can argue that con-

dition. What action should it have taken? The 1987 Banking Act gives the Bank the power to remove an owner of a UK bank who is no longer fit and proper, but it does not expand on the practicalities of such a move. The reality is that the Bank is the Bank of England, not the policeman or the nanny of the world's economy. Market disciplines must be allied with regulatory control. Otherwise a central bank may be invested with every conceivable legal power, but lack the geographic and practical economic capability to exercise these powers. It is encouraging to note that David Lascelles seems to concede this point in his Lombard article (January 30). The Guinness Mahon story should be regarded as a significant achievement as far as the Bank of England is concerned; it is certainly not an embarrassment. David Andrews, IBCA Banking Analysis, 2 Eldon Street, EC2

FOREIGN AFFAIRS

The end of an island mentality

Edward Mortimer looks at the questions which the Rushdie affair raises about British society

What are the "foreign affairs" to which this column is devoted? Should any affairs be foreign to a newspaper with international pretensions? Can foreign affairs really be separated from home affairs these days in any case? The last question is especially pertinent this week. To which category does the Salman Rushdie affair belong? Clearly it has an international dimension, and poses very difficult problems of foreign policy. But it is also very much a domestic issue to those in Britain. In fact it poses absolutely fundamental questions about the type of society Britain has become, and the type of society Britain wants to be in the future.

To continue this week's column to the foreign policy aspects of the affair, the Salman Rushdie novel would be to miss one of its most important lessons, which is that Britain is no longer an island. Nor is Europe for that matter. And nor is North America, though a slightly greater degree of insularity is still possible there. By insularity I mean the ability of most people in a society to live their lives in blissful ignorance of, or at least indifference to, what is going on in the rest of the world. In theory, of course, the Second World War was supposed to have put an end to that. Even countries which at first appeared not to be directly targeted, like Britain and the US, were forced to recognise that their freedom would ultimately be threatened if aggressive and expansionist tyrannies were allowed a free hand in other parts of the world. Not only governments but the whole of society in most countries was caught up in the struggle.

Yet the lesson was not fully learnt, because the form of the war was rather conventional. States sent armies across frontiers. Other states sent armies to drive them back. Ideological struggles within states played a part, but became secondary once actual hostilities were in progress. Japan and Germany were seen as uniquely dangerous because their particular tyrannies were so crudely and straightforwardly aggressive and expansionist. A certain amount was said about putting an end to tyranny as such but, given that Stalin was on the winning side, that sort of rhetoric cannot have had much serious thought behind it. And so the unwritten law of the post-war order has been that the world is divided into nations whose internal regimes are their own affair. Free peo-

ple feel sorry for unfree ones, and indignant about atrocities committed by foreign governments. But they do not, usually, feel directly threatened in their own lives. Perhaps they did in the first post-war years, when a westward expansion of Stalin's tyranny seemed a real possibility. But few people in the West now seriously expect to find themselves living under that tyranny; either they have given up thinking of it as expansionist or they feel reasonably confident of Nato's ability to deter it. And as for "Third World" tyrannies, no one really imagines them acquiring sufficient military strength to be a direct threat to the "free world."

So our first, instinctive reaction, whenever we heard of barbarous goings-on in other parts of the world, was to think "Thank God I live here and not there." Perhaps occasionally we remembered that people used to think like that in Lebanon and in Chile. But the fate of those "islands" of freedom and stability in unfree and unstable parts of the world did not seem directly relevant to our own. Even Khomeini's regime in Iran, though it has inspired plenty of loathing and disgust, has not until now struck real fear into Western hearts. We realised, and we deplored, that travel and residence in those parts had become riskier for foreigners than it used to be,

even - perhaps especially - for those nominally enjoying diplomatic immunity. But we did not imagine it could affect our ordinary lives at home. Terrorism has frightened us, of course, at least episodically. But up to now it has either threatened public figures for whom exposure to violence, and the consequent need to live behind an elaborate if discreet network of security precautions, could be seen as an occupational risk; or it has had a random character, rather like other disasters; you know it may happen, you hope the authorities are taking more effective measures to protect you against it, but on the whole the chances are against it happening to you personally. With the Rushdie affair we

enter a new category. We discover that Draconian restrictions imposed on freedom of expression by a faraway foreign despot may actually affect our own freedom to read and write as we see fit, because the religion and the culture to which he appeals are present and vigorous within our borders. So far the reaction of Mr Rushdie himself and of his British and American publishers has been admirably robust; they have confined themselves to regretting the offence caused and have not let themselves be intimidated into withdrawing or censoring the book.

But the reaction of the major bookselling chains in the US, and of publishers in France and West Germany, has been quite different. One cannot blame them, because the danger of violence and murder is real. Any manager is bound to ask himself whether he has the right to expose his staff to this kind of threat.

We find ourselves caught up in a religious war, a war of ideas but one in which, alas, ideas are far from being the only weapons, and one which takes little or no account of national frontiers. We discover that tens if not hundreds of thousands of British subjects, and millions of their co-religionists around the world, can be deeply offended and outraged by references which are not even comprehensible to the majority of British people. And they in turn discover - or perhaps they have not yet understood - that their reaction arouses no less passionate feelings of outrage in us, because it is equally offensive to our religion. By "our religion" I do not mean Christianity. The Christian establishment is in fact very awkwardly placed in this affair: it disapproves strongly of incitement to murder but clearly feels some sympathy with the Muslim demand for censorship of "blasphemy." But Christianity is no longer the religion of this country in the sense that Islam is the religion of Iran. It is not Christianity that binds us together as a community, because we have long since given up trying to impose religious uniformity on ourselves or to exclude unbelievers and members of other faiths from full participation in our national life.

The religion of this country, and of the "free world" to which it belongs, is, precisely, freedom. Its founding fathers are Locke, Voltaire, Burke, Wilkes, Tom Paine; the authors of the American Constitution and of the Declaration des Droits de l'Homme. Unlike Iranians, we are brought up to think it primitive to fight over metaphysical beliefs, but to think of fighting for freedom as something admirable. Of course, like other peoples, we practise this religion imperfectly, and not everyone takes it as seriously as do journalists, the self-appointed priests or mullahs of the cult. But the idea of sentencing a writer to death for what he wrote is just as offensive to modern Western sensibilities as the idea that Christ might have liked to make love to Mary Magdalene, or that the Prophet might occasionally have listened to Satan, is to traditional Christian or Moslem ones.



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FINANCIAL TIMES

Tuesday February 21 1989



French plan facing rough ride

Ian Davidson sees a shift from state control to private enterprise

THE NEW French national plan, which has just completed its first phase of elaboration, is expected to have a fairly rough ride when it is submitted in its final form to Parliament in mid-April.

For France Europe is not a constraint, but an ambition. W Germany and Britain may have different options - Germany can look East, Britain can look West; France has no other choice except Europe.

Socialist Plan. Undoubtedly, there is a certain ideological discrepancy between the Socialist Party and that part of the Plan which accepts the case for reducing the level of taxation on capital. But there you are: this is a courageous programme by a Government conscious of its European commitments.

that it will also be keenly studied abroad, as an indication of the seriousness of Mr Michel Rocard's Government.

The Plan is intended to spell out our determination to be a serious international partner, opposed to inflation and budgetary laxity, and committed to the discipline of the European Community.

pean requirements, between the demands of the hospital nurses and the stability of the franc.

scaled back the target economic growth rate (one of the few precise figures) required to contain unemployment.

The other novelty is the opening section, which lays out a review of France's advantages and disadvantages, the risks and the promises.

But France's most general handicap relates to its ability to adapt to change.

IRA bombs barracks in mainland Britain

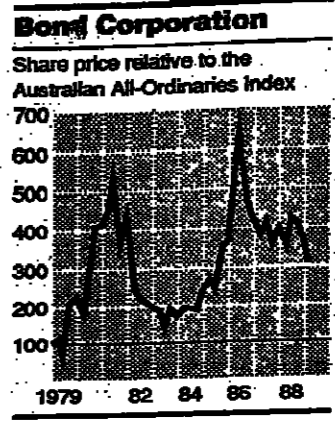
By Charles Hodgson in London

THE Irish Republican Army (IRA) struck deep into the heart of the Midlands of England yesterday when a bomb caused extensive damage to barracks of the Parachute Regiment at Shrewsbury, in the first attack on the mainland since August last year.

While authorities in London were reluctant to see the latest IRA bombing campaign, it followed repeated warnings both from British security forces and the Irish terrorist organisation that the strategy of hitting military targets in Britain - however "soft" - was still high on the list of priorities.

Minorco's spring offensive

There was never much chance of a quick and bloodless solution to the battle for control of Consolidated Gold Fields, and yesterday's £4 per share offer from Minorco has pretty well ensured that it will not be over until early summer.



Whatever Minorco says, the 8 per cent increase in its offer is a delaying tactic; but given the way the gold price and interest rates have been behaving lately, it should be enough to provoke a serious response from Gold Fields.

Markets Militant Jaguar workers, an enormous rise in bank lending, reduced corporate profit forecasts from Phillips & Drew: any number of things could have pushed the market down yesterday.

by the latest retail sales numbers. The market's rise was particularly puzzling as it took place without the support of Wall Street.

Bond Corporation Bond Corporation's interim results illustrate the complete lack of contact between the company's own description of itself and how it is seen by the market.

brewing business, which was traditionally supposed to be the cash engine of the group, could manage only a 20 per cent rise in operating profits - the weakest among the divisions - despite the inclusion for six months rather than two of the plainly difficult Heilman acquisition in the US.

General Accident The market is saying something rather odd about General Accident at the moment: that it is worth almost exactly as much today, relative to the All-Share overall, as the day it announced its deal with NZI last June.

True, all that probably adds up to no more than a percentage point or so off GA's 1988 profits, and it is worth remembering that bad news always sounds worse in NZ dollars.

Moscow gains Cairo's support on Mideast

By Tony Walker in Cairo

THE SOVIET Union gained further Arab support for its Middle East peace initiative during talks in Cairo yesterday between Mr Eduard Shevardnadze, Soviet Foreign Minister, and President Hosni Mubarak of Egypt.

spent three hours with Mr Mubarak. He later described the talks as "deep and important."

sponsorship of peace talks, Mr Shevardnadze said the idea was new to him and would require study.

The Shrewsbury attack comes after a period of unusual quietness from the IRA since Christmas, in Northern Ireland, on mainland Britain and in continental Europe, after a spate of incidents last summer.

Mr Tom King, the Northern Ireland Secretary, made a particular point of praising the co-operation of Irish authorities on security at the recent round of Anglo-Irish talks in London.

Brazil dam protest attracts world interest

By Ivo Dawnya in Altamira, Brazil

A HISTORIC protest meeting called by Indian leaders to halt a big new dam complex in the heart of Brazil's Amazon region opened yesterday under the glare of unprecedented international publicity.

strongly support the dam, however, saying it will bring to the town's 50,000 population, many of whom live in acute poverty.

other defendants under Brazil's notorious "foreigners' law", for which criticism of the country abroad, have only served his cause.

Monday's bombing also fits in with a familiar IRA tactic of striking back after a series of apparent reversals.

Mr Tom King, the Northern Ireland Secretary, made a particular point of praising the co-operation of Irish authorities on security at the recent round of Anglo-Irish talks in London.

Table with columns for location, temperature, and weather conditions. Includes cities like Alcatraz, Algiers, Amsterdam, Athens, Bahrain, Baghdad, Barcelona, Beirut, Bogota, Brasilia, Buenos Aires, Calcutta, Cairo, Casablanca, Chicago, Cebu, Copenhagen, Dallas, Delhi, Detroit, Dublin, Edinburgh, Frankfurt, Geneva, Ginebra, Harare, Havana, Helsinki, Hong Kong, Houston, Indianapolis, Jakarta, Johannesburg, Kuala Lumpur, London, Los Angeles, Luxembourg, Madrid, Manila, Mexico City, Miami, Moscow, Mumbai, New York, Ottawa, Paris, Perth, Philadelphia, Phoenix, Pittsburgh, Port of Spain, Prague, Rome, Santiago, Sao Paulo, Seoul, Singapore, Stockholm, Taipei, Toronto, Vancouver, Warsaw, Wellington, Wichita, Zurich.

UK opposed to missile cuts Continued from Page 1 contributed to a lessening of the perception of military threat from the East.

Swiss banks make losses Continued from Page 1 shareholding in question represents at least 0.25 per cent of that class of shares.

Advertisement for Le Meridien Hotel Piccadilly. Text: 'THE DISCERNING PERSON'S GUIDE TO LONDON', 'THE PERFUMER', 'English flower perfume makers? There's only Juan.', 'He who frequents the perfumer's shop and lingers even a short time will carry with him the scent of the place', 'Established in 1730 by a young Spaniard, Juan Romanos Floris, the secrets of providing English flower perfumes to doise the smells of the English Unwashed are still continued 200 years later by the eighth generation.', 'The unharried and courteous atmosphere of the old fashioned shop still pervades.', 'As indeed does the atmosphere of Le Meridien Hotel in Piccadilly.', 'The very essence of luxury and refinement. There are no airs and graces, more a gracious air. Linger a short time, breathe it all in. A stay here makes sense.', 'Le MERIDIEN HOTEL PICCADILLY', '21 PICCADILLY, LONDON W1V 0BN TEL: 01-754 8000. TRAVEL COMPANION OF AIR FRANCE.'

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FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday February 21 1989

DOUGLAS
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INSIDE

Garfield makes a marketing splash

Garfield, the cartoon cat, has reason to grin and so too has Splash Products, a company which has a licence to print his likeness on T-shirts in Britain: character merchandising, the licensing and marketing of fictional characters, is emerging from a recession. Andrew Hill reports on an industry which embraces the likes of Dennis the Menace, Roger Rabbit and Asterix the Gaul. Page 28

Qintex dons a glamorous image

Qintex, Australian entertainment and leisure group, may rank low on the scale of market capitalisation Down Under, but it mirrors key directions of the country's economic growth. Artful advertising and a glamorous image reinforce a slow but steady recovery from the 1987 share market crash. Chris Sherwell reports on a bid to strengthen the company on a diet of financial conservatism. Page 21

Linotype breaks out of the mold

Times have changed in more ways than one for Linotype, the West German printing electronics group which went public in 1987. Long associated with typesetting machines, now considered museum pieces in many countries but a fact of life in the UK until recently, the company has become the world's biggest manufacturer of pre-press equipment with a range of new, high-tech products. Page 20

UN rises to bread problem

Third World consumers are almost as keen on bread as their counterparts in the developed world. But the wheat imports necessary for its production place a heavy burden on their countries' economies. So the UN Food and Agriculture Organisation has devised a technique for making bread from locally-produced produce — such as cassava, maize, sorghum, rice and millet. Doubts remain, however, over the farmers' ability to produce enough of the commodities. Page 32

The honeymoon is over for Sema Group

Pierre Bonelli (left) has no regrets. The marriage between Sema-Metra of France and Cap Group of the UK has been a rocky but the managing director of the new Sema Group is convinced it is a good one. There is nothing basically wrong with the British company and the core of the business is very solid," he says. Paul Betts reports on the end of a honeymoon after a software merger. Page 22

N Zealand insurer abandons NZ\$290m capital plan

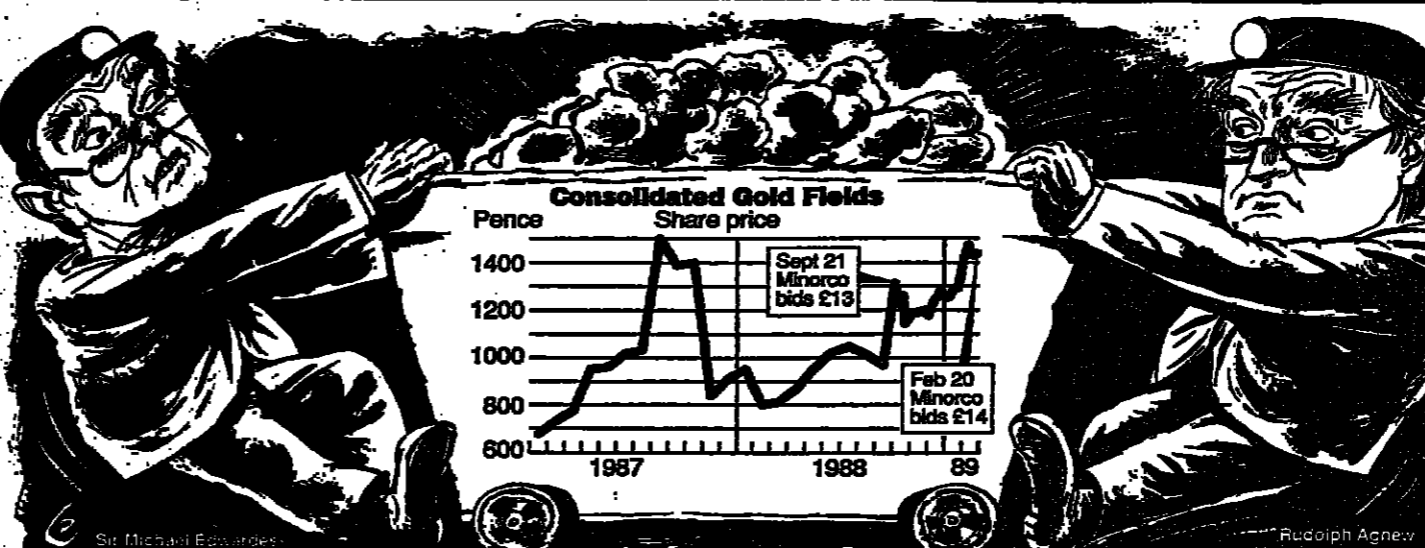
By Nick Bunker in London

NZI CORPORATION, the problem-laden New Zealand insurance and banking group, yesterday scrapped a NZ\$290m (£181m) rights issue aimed at rebuilding its balance sheet, after unearthing accounting problems which caused an unusual NZ\$13m loss in its life assurance operations.

The discovery came as a fresh embarrassment for NZI's parent, General Accident, the UK insurer, which bought 51 per cent of NZI last summer as part of a strategic push into the Pacific.

General Accident now has to stand behind NZI with loans totalling NZ\$200m until a new rights issue can be launched. This will happen "probably in June," according to Ian Menzies, a General Accident general manager.

NZI also disclosed yesterday that its banking loan book had deteriorated since November, when it reported a half-yearly loss of NZ\$180m owing to corporate defaults linked to the collapse of Rothwells, the Australian merchant bank. Blaming "the recent deterioration in the New Zealand property market," NZI said it had made additional write-offs and provisions of NZ\$67m, bringing after-tax losses for the nine months to December 31 to NZ\$282m.



Minorco ends the phoney war

Kenneth Gooding examines the latest round in the battle for Gold Fields

The phoney war ended yesterday in Britain's biggest takeover bid, and the financial battle started in earnest.

Minorco, the Luxembourg-based investment group which is linked to the South African Oppenheimer empire, renewed its hostile bid for Consolidated Gold Fields, the diversified UK mining group, and raised its offer to around £14 a share, valuing the group at £3.2bn (£6.6bn).

Minorco, freed to bid earlier this month by the Monopolies Commission, has emerged practically unscathed from Gold Fields' wide political campaign, which concentrated on Minorco's South African ownership. But although that campaign brought the UK group few rewards, there is one outstanding issue which could still prove severely embarrassing to the Luxembourg company — an injunction imposed by a New York court which prevents Minorco adding to its 30 per cent shareholding in Gold Fields.

Fields of South Africa owns 7.5 per cent. (Mr Robin Plumbridge, GFSA's chairman, was at the Gold Fields' board meeting which unanimously rejected the Minorco bid yesterday and is understood to have spoken vigorously against the offer.)

Most of them also suggested they did not want Minorco's US dollar-denominated, Luxembourg-quoted shares in exchange for their Gold Fields' stock.

However, Mr Tony Lea, Minorco's executive director, finance, said yesterday he had detected recently a slight change in the institutions' approach. "It is short-sighted to limit investment in mining to UK-based companies because that leaves only RTZ and Lombar," he said. "We are confident that, over time, the institutions will come round."

marking up the share price of the predator while Gold Fields' price went down, to end only slightly ahead of the offer value.

The Gold Fields' camp saw a different message. Mr Grimston suggested that there was a relatively modest turnover in Gold Fields' shares yesterday but the few buyers were obviously banking on a cash bid above £15 a share.

Like other analysts, Mr Wellesley-Wood believes that as much as 15 per cent of the Gold Fields' issued capital is still in the uncertain hands of speculators. "Many of them went in at £12.50 or £13 a share, so they are looking for a bit more," he said.

ments it presented when it first bid £13 a share for Gold Fields last September. It said it intended to concentrate on Gold Fields' three wholly-owned businesses, ARC (the former Amey Roadstone Corporation), ARC's North American subsidiary, and Gold Fields Mining Corporation, the group's North American gold mining subsidiary. Together these provided 70 per cent of Gold Fields' profit before tax and interest.

If the bid succeeded, Minorco would sell Gold Fields' substantial — but minority — shareholdings in Newmont Mining, the biggest US gold mining group; Gold Fields of South Africa and Benson Goldfields Consolidated of Australia. These assets, worth more than £1m, were contributing profits of only £33m, Minorco claimed.

The disposals could be expected to eliminate Minorco's acquisition debt — but not Gold Fields' debt. Minorco said it would be able to offer the executive management teams at ARC and GFMC more involvement in policy-making and more funds for investment. Mr Lea said: "We believe the brakes have been applied on ARC from the centre from time to time. The company has no investment in Continental Europe and we would help it change that."

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Chief price changes yesterday

FRANKFURT (DM)		Polka	
Basel	426.5 + 11.8	Monaco Pkcs	82.5 - 3.5
Frankfurt	308 + 8	Cochem	192.8 - 5.7
London	422 + 8	COVCO (Vw)	
		Minera	
Boys Hypo	388.2 - 2.3	Japan Steel Wks	1200 + 200
Paribas (FFP)		Hankyu	1200 + 100
Basel		Hankyu Works	1050 + 100
Comptel	585 + 37	Polka	
Comptel	88.8 + 5.6	Kokusan Denki	1350 - 130
Comptel Est	225 + 12.5	Mitsui Trading	1050 - 100
Donghai	250 + 14.5	Utdian	2250 - 130

NEW YORK (Dollars)

IBM	115 + 10	P & T Intl	584 + 10
AT&T	54 + 5	Rock Intc	250 + 12
Boeing	54 + 10	Rock Telecom	277 + 15
Gen Corp	335 + 24	Rockwell	514 + 17 1/2
IBM	429 + 9	Ruckelshaus	559 + 21
SP (Nasdaq)	425 + 17	STC	332 + 10
Enron Intc	700 + 29	Stetson Intc	65 + 7
GenCorp	188 + 13	THOMSON	725 + 22
IBM	1110 + 20	Umicore	289 + 8
Enron Intc	455 + 15	Umicore	289 + 8
GenCorp	471 + 15	Acme & Hatch	198 - 7
Holding Profit	84 + 5	Acme & Hatch	198 - 7
Log & Gen	525 + 10	Acme & Hatch	198 - 7
Person	717 + 10	Acme & Hatch	198 - 7

Amer buys Wilson Sporting

By Olli Virtanen in Helsinki

AMER, the acquisitive Finnish consumer products group, has agreed to buy Wilson Sporting Goods, the largest US sporting goods manufacturer, for \$200m from Wesray Capital, the New York-based investment company run by Mr William Simon, the former US Treasury Secretary.

The deal will increase Amer's net sales for the year ending February 28 from an estimated FM5.6bn to FM7.5bn (£1.8bn). It will complement Amer's strategy to concentrate on internationally well-known brand names.



Three times singles champion Chris Evert demonstrates technique and a Wilson racket at Wimbledon

Mr Helkki O. Salonen, chairman and chief executive of Amer, said: "Wilson's business fits very well into Amer's customer-oriented business philosophy." The acquisition, he said, "will form a new cornerstone for the company since it brings about the world-wide expansion of Amer's operations."

Wilson is the world leader in equipment and apparel for golf, tennis, baseball, American football and basketball marketed under the name "Wilson." It has 12 production plants including

made via a merger between a wholly owned Amer subsidiary and WSGC Holdings, which owns all the outstanding capital stock of Wilson. Amer will also buy all warrants and convertible securities of Wilson. Wilson's publicly held shares are expected to remain outstanding.

Nat-Ned in Fl 750m rights issue

By Laura Raun in Amsterdam

NATIONALE-Nederlandsen, the largest insurance company in the Netherlands, yesterday announced a rights issue that will raise around Fl 750m (€320m) and strengthen the balance sheet following a string of acquisitions.

The one-for-ten issue will give current shareholders the right to one new share for every 10 held and to dividend payments for 1989. The issue price will be announced on February 28 and is expected to be around Fl 60 a share.

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INTERNATIONAL COMPANIES AND FINANCE

Swiss 'must ease curbs on foreign takeover bids'

By William Dullforce in Zurich

SWISS COMPANIES will have to open themselves to mergers and takeovers, Dr Markus Lusser, President of the Swiss National Bank, said yesterday.

He warned that Swiss concerns could not go on forever making hostile acquisitions abroad while exploiting domestic practices to protect themselves against takeovers. "If we do not want to be confronted with retaliation, especially from the European Community,"

Other pressures as well - increased market competition or the need for capital - would force Swiss companies to amend their three-tier stock structure, which distinguishes between registered, bearer and participation shares and allows them to restrict voting rights.

Dr Lusser was speaking at a conference on Swiss financial markets organised by EuroMoney. Argument has raged over Swiss protectionist practices since Nestlé took over Rowntree of the UK last year and subsequently announced it was opening its registered shares to foreign ownership.

Amendments to corporate stock practices would have to be accompanied by improvements in the information provided to the public and tighter supervision, Dr Lusser maintained.

One problem was that large share purchases did not have to be reported. Another was

the danger of the US takeover boom spilling over onto the Swiss stock market.

Foreign securities - as happened in the Kohlberg, Kravis and Roberts' takeover of Nabisco - could lose their ratings and, if they continued to be traded, could alter the structure of the Swiss market.

The Swiss Emissions Board's practice of basing its approval for listing foreign securities only upon their rating when issued could provide investors with "an illusory sense of safety."

The SNB president's line of argument was also pursued by Mr Werner Rey, chairman of Inspectorate International and one of the few takeover specialists in Switzerland.

Insisting that co-operation between companies was not an alternative to merger or acquisition, Mr Rey said the secure road to Europe for many Swiss companies led through a suitable buyout within the European Community.

The competence of Swiss managers would not for much longer be measured by the hidden reserves they could amass, but by how successfully they used the reserves to develop their companies. And, Mr Rey argued, the development of new products was often far riskier than a merger or takeover of a company with potential.

A high-tech formula for printing success

Haig Simonian examines Linotype of West Germany's progress and strategy since leaving Allied Signal

Wonderful is how Mr Wolfgang Kummer, chief executive of Linotype, the West German printing electronics group which went public in October 1987, describes the company's morale after years of being part of Allied Signal of the US.

This week's figures for Linotype's first full year of independence confirm that optimism. Group sales rose by more than 18 per cent to DM670m (\$333m) in 1988, pre-tax profits jumped over 25 per cent to more than DM50m and an increased dividend from DM11 a share seems almost certain.

But the enthusiasm at Linotype, which makes the sophisticated electronic pre-production equipment used by printing concerns and newspapers around the world, does not stem from independence alone.

Mr Kummer admits several of the new products which last year boosted Linotype into the world's biggest manufacturer of pre-press equipment, notably laser image setters - which translate data from a computer into very high resolution film - stemmed from its time as an Allied Signal subsidiary.

"I made a lot of friends," in shutting regularly to group headquarters in New Jersey, he recalls. However, "I also spent a lot of time listening to plans for chemicals, engineering equipment and brakes," he says. "It was all very interesting, but hardly essential."

Apart from greatly reduced

bureaucracy - leading to a far more flexible management style - he singles out closer identification with the product as being the main benefit of independence. That identification has extended to the shop-floor with an employee share scheme after flotation.

But Linotype's buoyancy has also been technology-driven. Its famous old typesetting machines, long relegated to the museum in many newspapers but a daily fact of life in the UK until remarkably recently, are still its best-known product. Like many newspapers, it displays a gleaming black model prominently at its headquarters.

Though long outdated, the essentials of the famous device still lie at the heart of the company's business, even if the technologies involved have changed beyond recognition.

The Linotype machine was both a "front end" input device into which a compositor typed what would become text - and a "back end" machine for translating that input into material for a printing press.

Those functions tend to be separated now. Back end devices are Linotype's bread and butter, accounting for about 60 per cent of sales. One machine in particular, the Linotype 300, which came on the market in 1986, has become the world's top-seller, accounting for some 5,000 of the 9,000-odd laser image setters sold by the end of 1988.

"This is the Mercedes of the industry," says Mr Kummer

proudly. The machine has become "almost an industry standard" - reflected by the US paper simply to the L300, without even mentioning the producer's name.

Last year was a record for Linotype's image setters - reflected in its results. Apart from some 1,600 L300s, costing around DM100,000 each, it also sold 200 bigger L500 machines.

However, it is the new L300 model which represents its brightest hope. The machine, unveiled last September, offers much of the L500's quality at an appreciably cheaper DM70,000 price.

With 630 deliveries by end-87 and over 1,000 orders since the launch, the company is delighted with the price-quality breakthrough it represents - reflected in a 30 per cent overall increase in new orders at the end of last year and 55 per cent jump in its order backlog.

While the market for back-end devices is limited to a handful of manufacturers, competition at the front end, which accounts of about 30 per cent of Linotype's sales, is fierce, with at least 50 groups involved.

"The entry card to get into back end business is expensive; the entry card at the front end is relatively cheap," says Mr Kummer. Front-end competitors can include small software houses, which just write programmes to be used on other manufacturers' computers, but



Wolfgang Kummer: "Our plant is the industry standard"

the back-end business involves sophisticated production capacity and heavy research and development costs.

Linotype has partly kept its front end by developing beyond its traditional newspaper customers. Commercial printers are now its main source of business, with some 60 per cent of its clientele deriving from companies with less than 50 employees.

Meanwhile in the newspaper and magazine business it still claims to supply more newspapers in Europe than any competitor, specialising on 60 to 120 terminal installations.

Linotype is still ahead technologically, making the present assured, but what of the future? Changes come notoriously fast in high technology electronics, while there is no

lack of ones proud German companies laid low by Far East competition in the engineering or optical industries.

Mr Kummer stresses four factors, starting with top-notch research and development. The company has over 250 R&D staff and spent some DM50m on researching new products last year. Colour is the next technological challenge.

Efficient manufacturing comes next. The company's assembly facilities, alongside its headquarters just outside Frankfurt, is the most modern of its kind in Europe and "certainly the most modern in the industry," says Mr Kummer.

One reason for the simplicity of the production line is that the bulk of components, come from outsiders. The company works with over 600 subcontractors.

Finally there is a constant stress on quality. Making laser image setters in particular is a painstaking business, involving high technology electronics and precision engineering.

But the company is by no means sanguine about its future. "There is no technology as yet which is a danger to our back end systems," says Mr Kummer. "But we always need to look."

Could independence have dangers as well as advantages, notably in the shape of a hostile takeover by some technology-hungry giant? The German system of a supervisory and managing board, along with worker representation, is likely to dissuade any raider, thinks

Mr Kummer. Linotype's present high share price is also dissuasive.

But its most important defence is its shareholder structure. Just over a quarter of its shares are held by Frega, a holding company comprising Commerzbank with 10 per cent, East Asiatic and Bührmann Tettersoda, two close business partners, with 5 per cent each, and Iguna Leben, a German life insurer with another 5 per cent.

Together, Frega owns 25 per cent plus one share in Linotype - an important "blocking minority" under German law where many key decisions require 75 per cent shareholder approval.

Financing is the least of Linotype's worries. "We are not borrowing DMI from any bank, just the opposite," he boasts. The company is cash rich, and it recognises the surplus could be used for strategic decisions, like acquisitions.

"We are always looking, but there is nothing acute at present," he says. Whether a potential acquisition - if it ever comes - is made to round off part of the business, buy technology or just add sales and distribution capacity is unclear. But one factor is certain. "We are not going into any other business," stresses Mr Kummer. With sales and profits figures like those just reported, who needs to?

Dana continues strong recovery with \$162m

By Anatole Kaletsky in New York

DANA Corporation, the large US car and truck component manufacturer, recorded another big increase in its net profits, sustaining the strong recovery which it began two years ago.

Dana had net income of \$4m, or \$1.08 a share, in the fourth quarter. This was more than double the \$2m, or 53 cents, reported the year before, although a large part of the advance was due to one-time

restructuring charges taken in 1987, which reduced the fourth quarter's earnings by 31 cents a share.

Full year net income of \$162m, or \$3.99, was 15 per cent higher than the \$142m, or \$3.24, achieved in 1987 and almost double the level recorded in 1986.

Dana's worldwide annual sales increased by 18 per cent to \$4.94bn.

Chrysler sees revenues doubling

CHRYSLER, THE third largest US motor vehicle group, expects revenues from the sales of cars and trucks outside the US to double to \$2bn this year. Mr Michael Hammes, the company's vice president for international affairs, told Reuters.

In addition, he said the company was considering building its popular minivan vehicle outside the US, and was negotiating with the Chinese Government to expand production at its Beijing Jeep venture.

Mr Hammes said Chrysler, which began selling cars and trucks in Europe last April,

had revenues of \$1.1bn internationally in 1988.

"We started up a significant business overseas and we made a very nice profit, too," he added, but would not detail Chrysler's overseas profit.

In 1989, which will be the first full year of international sales, Mr Hammes said the group expected to see revenues double, and he predicted that by 1994, Chrysler's international sales would be between \$4bn and \$6bn. The sales prediction, he said, included several projects not yet underway. The minivan was introduced six years ago, and is one of

Chrysler's most profitable vehicles. It is built at plants in Windsor, Ontario and St Louis.

Mr Hammes stressed, however, the company did not have a formal project under development for overseas minivan production.

Chrysler, he said, had to decide whether it should build the minivan with a partner, such as Renault, with which it would build a small sport utility vehicle named the JJ.

He pointed out that a minivan built abroad would not necessarily be produced in Europe, although that would be a top market for the vehicle.

Kellogg 'will not match 1988 first quarter'

CELLOGG, the US foods group, said it will not match the 58 cents per share earnings reported in last year's first quarter, but foresees a good performance for 1989, writes Our Financial Staff.

"We will not match the first quarter of 1988, but hope when the year is done to add another notch to record earnings," Mr William LaMothe, chairman, said.

Kellogg reported net income of \$121.1m, or 95 cents per share, on revenues of \$1.63bn for the 1988 first quarter.

AMCA seeks to expand in food and construction

By Robert Gibbons in Montreal

AMCA International, Canadian Pacific's main US industrial holding company, has completed a drastic two-year restructuring and is looking for acquisitions again, probably in food processing and construction.

Mr William Holland, chairman, said: "CP wants a larger presence in the US and we can play a part." AMCA has more than \$400m in tax loss carryforwards available, mainly in the US.

AMCA, the former Dominion

Bridge Company, Montreal, was a star stock market performer in the 1970s as it expanded into oil service industry and other engineered products in the US.

But the company suffered badly in the 1982-83 recession and its holdings were halved between 1986 and 1988 as losses mounted.

AMCA reported net profit of \$35.4m, or 1 cent a share, for 1988. In 1987 it suffered a loss of \$178m, including \$185m asset write-downs.

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December 1988

INTERNATIONAL COMPANIES AND FINANCE

Bond profit hits \$152m as revenue trebles

By Chris Sherwell in Sydney

BOND CORPORATION, the principal company in the burgeoning corporate empire of Australian entrepreneur Mr Alan Bond, yesterday reported after-tax earnings of A\$152.6m (US\$126m) for the six months to December, up 40 per cent on the same period in 1987.

The result, which also included a hefty trebling of revenues to A\$5.2bn, comes at a time when Mr Bond's business interests and accounting methods are under increasing scrutiny, not least because of a conviction by London of the UK, in which Bond Corporation has a 20.1 per cent stake. The market may also take a while to digest the numbers because of the large variety of transactions undertaken by Mr Bond over the past year, which have made the group look somewhat different from 18 months ago.

The figures nevertheless contain several significant features:

- Earnings have been boosted by a A\$30m income tax benefit rather than cut by a tax expense. The figure is more than double the previous year's benefit.
- On an equity-accounted basis and after extraordinary items, after-tax earnings were A\$124m, up 47.3 per cent on the previous period's A\$84m.
- The A\$5.2bn revenue figure includes A\$1.8bn in proceeds from the sale of assets in the Bell stable of companies, acquired from Mr Robert Holmes à Court last year.
- The contribution to revenues of the group's brewing operations has fallen from 72 per cent of the total to 28 per cent, although in absolute terms it has risen slightly.
- The contribution to profit from the group's brewing operations, before interest and tax, has also fallen sharply, from 56 per cent of the total to 35 per cent. Property transactions have emerged as a significant new contributor.
- The group twice acknowledges disappointment over a "relatively minor" contribution from G. Heilemann, the North American brewer bought in 1987.
- Media and communications interests are apparently generating sharply increased cash flows and contributing significantly more to profit.
- Mr Peter Beckwith, managing director, said yesterday the group could look forward to a "strong" second half. It was emerging from a phase highlighted by a number of major acquisitions, including the Heilemann brewing group and the Bell companies, and the full benefits of rationalising these assets and consolidating their operations were not yet fully reflected in the group's results.
- Directors declared an interim profit of eight cents a share, up from six cents. In the last full year to June 1988, the total dividend was 14 cents.

A man of Australian leisure

Chris Sherwell on the growth of Qintex under Christopher Skase

It is just one of the curiosities of Qintex that many Australians have heard of the company, but none - not even its executives - know for sure what it means.

Another is that, having suffered along with other entrepreneurial companies Down Under, it is slowly emerging from the 1987 share market crash on a less shaky footing than its discredited counterparts.

Mr Christopher Skase, the youthful businessman long identified with Qintex, has been trying to leave behind his asset-shuffling past by building cash-generating businesses, adopting a rational corporate structure and being more conservative financially.

Analysts agree that, while the company is not yet out of the woods, the goal is moving closer. Qintex has streamlined itself into two basic core businesses - television and resorts - and is now in the process of restructuring its heavy A\$650m (US\$565m) debt.

If the high-profile Mr Skase falls, the Australian corporate scene will be stirred rather than shaken. After all, Qintex Australia, his main operating company, ranks only around 70 in market capitalisation terms. On the other hand, the group is the owner of the Channel Seven National Television Network and the two sparkling Mirage luxury resorts in Queensland. As one of Australia's premier entertainment and leisure groups, it mirrors key directions of the country's economic growth.

The perception is reinforced by artful advertising which creates an image of glamour to match the group's modernistic activities. Rare artefacts which dot the marble-clad office in Brisbane, glimmering pools which embrace the Mirage luxury hotels, Skase's own sartorial smoothness, amplify the tone.

Now 40, Mr Skase's rise to prominence is a story in itself. It was his disc-jockey father who suggested that, instead of working in radio too, he should think of owning a station, perhaps even a network. That was when he was 17.

At 20 he drove an old Ford Falcon around Australia "to see what opportunities presented themselves." As legend has it, he got to Port Douglas in north Queensland and decided immediately it was the ultimate location for the resort complex now standing there.

After two years on the Australian Financial Review newspaper, he duly embarked on his business career. Using an investment company he set up, he acquired the cashed-up shell of a Tasmanian retailer which had changed its name to Qintex.

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Thus, Qintex is now creating a third Mirage out of the Princeville Hotel on the Hawaiian island of Kauai, and would like eventually to do similar projects on the US mainland, initially in California, later in Florida.

Similarly, in entertainment, Qintex holds through its US subsidiary a 42 per cent stake in Qintex Entertainment, a television production company resulting from the merger in 1988 of Hal Roach Studios of Los Angeles and Robert Halmi of New York. The company also owns 50 per cent of Colorisation, the group which colours black-and-white film.

It is clear that this rapid expansion owes much to Mr Skase's considerable entrepreneurial talent. He has produced novel ideas, snatched opportunities, negotiated attractive deals and appointed experienced managers, without ever losing control through the 51 per cent-owned Qintex.

Qintex Australia now has gross assets of A\$2.4bn, while its consolidated net profit has risen from less than A\$1m in 1984 to A\$28.1m in the year to July 1988. Last month Mr Skase launched a massive press advertising campaign to announce a forecast profit for 1989 of A\$42m and probably more. Revenues were projected at A\$750m, up from A\$577m in 1988 and A\$178m in 1987.

But big questions remain, as the languishing share price suggests. Potential investors and institutional shareholders remain most worried about the group's balance sheet, specifically its debt.

Qintex says its net effective debt as a percentage of total assets fell to 23 per cent in 1988 from 45 per cent in 1987, and that its interest cover has increased and will rise further. But it adds that it is considering numerous proposals to restructure its debt.

Mr Skase has to sell off two television stations under the media ownership rules, and local reports say he may sell off half of the Mirage resorts to realise some A\$200m. Recently, a A\$5m dual share placement was announced.

Qintex is slowly emerging from the 1987 stock market crash on a less shaky footing than some of its discredited counterparts.

tax and been used unsuccessfully to explore for tin. Over the next 10 years Qintex's assets increased from around A\$1m to A\$1bn. From being a retailer, it became a jewellery business, part-owner of a broadcasting group and a property trust and then, in 1983, a stock market investor. Qintex's purchase that year of Industrial and Pastoral Holdings, the company which would become the main operating group, Qintex Australia, set a pattern. Typically, Mr Skase would acquire a target through aggressive share purchases, then finance the borrowings through asset sales and share placements. Later, when the business matured, he would buy out the minorities.

By 1985 the group was involved in television in Brisbane and in four Queensland provincial towns. That was also the year the group moved into resort development, taking advantage of Queensland's need to develop tourism and its lack, as late as 1984, of any five-star hotels.

In an important deal securing the Port Douglas site, the Queensland Tourist and Travel Corporation, on behalf of the Government, put up the land as equity in a joint development with Qintex. In another transaction, Qintex acquired a second location - a unique slab of dual-waterfront land on

the opportunity suddenly arose to create the Channel Seven network, following a change in the country's media ownership rules at the end of 1986. Mr Skase bought the Channel Seven stations in Brisbane, Sydney and Melbourne from the Fairfax group, and then acquired two more, in Adelaide and Perth, from the Bell Group.

He has since been battling to make the network more profitable while trying to improve its standing in the competitive ratings contest with the other two commercial networks, Channel Nine, controlled by Bond Corporation, and Channel Ten, part of the Westfield group. In 1988 the network finished second, behind Nine. Qintex manages a sophisticated link between its resorts and leisure interests and its media and entertainment activities. This month, for example, it staged an international golf match at the Port Douglas Mirage and broadcast it on Channel Seven. But executives insist that the two divisions stand alone; that there is "no mixing of flows." Looking ahead, they say they are seeking a dual 50-50 split in the group's assets - between resorts and leisure and media and entertainment, on the one hand, and between Australia and overseas on the other.

Brambles forms unit with GKN

By Chris Sherwell in Sydney

BRAMBLES INDUSTRIES, the Australian-based international materials handling group, yesterday deepened its involvement with GKN of the UK, through a restructuring and expansion of its European and North American businesses.

At the same time it announced a US\$60m (US\$49m) move into the large US waste industry through the acquisition of a significant stake in Environmental Systems Company (Enso), which is listed in New York. The main feature of its moves is the formation of GKN-Brambles Enterprises, a new jointly-owned and controlled company. This will take on GKN and Brambles' jointly owned European pallet-pooling activities, known as CHEP

Europe, and their UK-based Cleanaway waste-management business. But the new group will also be a platform for expansion elsewhere. GKN will take up 50 per cent of CHEP Canada, which is Brambles' Canadian operation, and 50 per cent of American Pallet Systems, its Chicago-based US business. The two partners say greater resources will now be committed to a possible pallet-pooling project in the US and Canada.

At the same time, Cleanaway's waste activities will be expanded into Europe. No details were given, but Brambles said Cleanaway's strong growth in the UK over recent years "made it the logical vehicle for European expansion."

Kirin earnings dented

By Our Financial Staff

KIRIN BREWERY, Japan's largest beer manufacturer, reports that inroads by rival breweries resulted in falling sales and earnings in the fiscal year which ended last December 31. Kirin's pre-tax earnings totalled Y84.63bn (\$515.5m) and net earnings Y29.01bn, on sales of Y1.178bn, for the year, shorted to 11 months by Kirin's decision to begin its fiscal year on January 1. In the preceding full fiscal year, pre-tax profits were Y90.82bn and net Y34.06bn, on sales of Y1.266bn. Dividend for the year is to remain unchanged, at Y7.50. For Kirin, it was the first drop in both sales and earnings since the fiscal year ended on January 31 1988. Although strict comparison was difficult because of the difference in length of the two fiscal years, Kirin officials say the latest results still show sales and earnings declining, as Kirin has failed to capitalise fully on the high demand for "dry beer," first marketed by Asahi Breweries. Profits fell because of an increase in marketing and other costs as Kirin tried to catch up with Asahi, Japan's third-largest brewer in 1987, which took the market by storm with its premium "Super Dry" beer. Marketing and administration costs went up by 10.5 per cent to Y17.57bn. The company's financial balance improved, however, with interest and dividend receipts climbing 55.1 per cent to Y32.56bn, while interest payments grew by a much slower 13.8 per cent to Y7.62bn.

NBB advances 58%

NET PROFITS for National Bank of Bahrain (NBB), Bahrain's oldest locally registered bank, jumped by 58 per cent in 1988, to 6.8m dinars (\$18m), Renter reports from Bahrain. Earnings before provisions rose to 13.7m dinars at the end of 1988, from 10.5m the previous year, the bank said. Total assets dropped by 105.5m dinars to 545m dinars, while customer deposits rose by 8m dinars to 438m dinars. The bank decided to recommend a dividend of 15 per cent or 4.2m dinars to shareholders, up from 2.8m dinars in 1987.

Gas project lifts Aberdare

By Jim Jones in Johannesburg **ABERDARE CABLES**, the South African affiliate of the Dutch Philips group, lifted sales by a quarter last year, helped by strong demand for cabling for the Mossos offshore gas venture. Turnover increased to R231m (\$129m) from 1987's R265m and the pre-tax profit rose to R39.8m from R23.5m. The directors say the company won several contracts to supply power, telecommunications and control cable to Mossos and that exports markets are being developed. In addition, the company has developed import-replacement interests to supply cable accessories. It believes sales will remain firm this year. Earnings rose to 142 cents a share from 89 cents and the dividend has been lifted to 115 cents from 45 cents.

To the Holders of **WARRANTS** to subscribe for shares of common stock of **HODOGAYA CHEMICAL CO., LTD.** (Issued in conjunction with an issue by Hodogaya Chemical Co., Ltd. (the "Company") of U.S. \$50,000,000 3 1/4% Guaranteed Bonds Due 1992) **NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE** Pursuant to Clause 4(A) of the Instrument dated October 7, 1987 under which the above described Warrants were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.08 share for each one share held will be made to shareholders of record as of March 31, 1989. The Subscription Price at which Shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Warrants from 743.2 Japanese Yen to 802.8 Japanese Yen effective as of April 1, 1989. The Industrial Bank of Japan Trust Company on behalf of Hodogaya Chemical Co., Ltd. Dated: February 21, 1989

U.S. \$400,000,000 **The Kingdom of Belgium** Floating Rate Notes Due February 1991 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 9 3/4% for the Interest Determination Period 21st February, 1989 to 21st August, 1989. Interest payable on 21st August, 1989 will amount to U.S.\$12,490.89 per U.S.\$250,000 Note. Agent Bank: **Morgan Guaranty Trust Company of New York** London

This notice is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities. **Northern Engineering Industries plc** Registered in England No. 1305027 Issue of 764,614 new 11% Cumulative Preference Shares of £1 each in connection with the Offer for the Preference Share Capital of **Victor Products PLC** The Council of The Stock Exchange has granted permission for the above mentioned securities to be admitted to the Official List. Listing Particulars of the new 11% Preference Shares are available in the Exel statistical service and may be obtained up to and including 23rd February, 1989 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2. Copies of the Listing Particulars will be available for collection during normal business hours on any weekday (except Saturdays and public holidays) up to and including 7th March, 1989 from: Northern Engineering Industries plc, Robert Fleming & Co. Limited, Panmure Gordon & Co. Limited, 25 Copthall Avenue, 9 Moorfields Highwalk, London EC2R 7DR, London EC2Y 9DS, Member of T.S.A. and I.S.E., Member of T.S.A. and I.S.E. 21st February, 1989

U.S. \$150,000,000 **Chemical New York Corporation** Floating Rate Subordinated Notes Due 1996 Interest Accrual Period 26th November 1988 23rd February 1989 (inclusive) Interest Amount per U.S. \$10,000 Note due 6th March 1989 U.S. \$233.44 **Credit Suisse First Boston Limited** Agent Bank **Correction** Notice to Noteholders Prospect International High Income Portfolio N.V. Up to U.S. \$82,500,000 Senior Floating Rate Notes due 1996 (of which U.S. \$41,250,000 has been issued) Notice is hereby given that the interest rate for the period from 14th February, 1989 to 14th March, 1989 is 9.7375%. The Floating Rate Note interest amount payable on 14th March, 1989 is U.S. \$7.57 per U.S. \$1,000. Bankers Trust Company, London Agent Bank 16th February, 1989

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GT INTERNATIONAL BOND FUND

Société d'Investissement à Capital Variable
R.C. Luxembourg; B-24842

Notice of Extraordinary General Meeting

The shareholders of GT INTERNATIONAL BOND FUND are hereby convened to an extraordinary general meeting to be held in Luxembourg on March 8, 1989 at the registered office, 2 boulevard Royal, at 3.30 p.m. with the following agenda:

1. to amend the Articles of Incorporation so as to adjust them in order to satisfy the requirements of the law of March 30, 1983, specifically:

- by substituting in Articles 3 and 31 and wherever it occurs, for references to the law of August 25, 1983, references to the law of March 30, 1983 regarding undertakings for collective investment;
- by deleting, in Articles 12, 13 and 27, and wherever it occurs, the reference to the statutory auditor and to his attributions and by replacing the provisions of Article 20 by the following:

"The Corporation shall appoint an authorized auditor who shall carry out the duties prescribed by the law of March 30, 1983 regarding undertakings for collective investment. The auditor shall be elected by the general meeting of shareholders and shall hold office until his successor is elected."

- by amending the second paragraph of Article 16 of the Articles of Incorporation so as to read as follows:

"The Board of Directors shall also determine any restrictions which shall from time to time be applicable to the investments of the Corporation, including, without limitation, restrictions in respect of:

- the borrowings of the Corporation and the pledging of its assets;
- the maximum percentage of its assets which it may invest in any form or class of security and the maximum percentage of any form or class of security which it may acquire;

c) if and to what extent the Corporation may invest in other collective investment undertakings of the open-end type. In that respect the Board may decide to invest, to the extent permitted by Luxembourg law of 30th March 1983 regarding collective investment undertakings, in shares of an investment company of the open-end type, or in the units of a unit trust of the open-end type, managed by a company, to which the Corporation is linked by common management or control or by a substantial direct or indirect holding.

The Board of Directors may decide that investment of the Corporation be made (i) in securities admitted to official listing on a stock exchange in any Member State of the European Economic Community, (ii) in securities admitted to official listing on a recognized stock exchange in any other country in Western Europe, Asia, Oceania, the American continent and Africa (excluding South Africa), (iii) in securities dealt in on another regulated market in any such member State of the European Economic Community or other country referred to above, provided that such market operates regularly and is recognized and open to the public, (iv) in recently issued securities provided the terms of the issue provide that application be made for admission to official listing in any of the stock exchanges or other regulated markets referred to above and provided that such listing is secured within one year of the issue, as well as (v) in any other securities, instruments or other assets within the restrictions as shall be set forth by the board of Directors in compliance with applicable laws and regulations.

The Board of Directors of the Corporation may decide to invest up to 10% of the total net assets of the Corporation in different transferable securities issued or guaranteed by any member state of the European Economic Community, its local authorities or public international bodies of which one or more of such member states are members, or by any other state member of the OECD provided that in the case where the Corporation decides to make use of this provision it must hold securities from at least six different issues and securities from any one issue may not account for more than 30% of the Corporation's total net assets.

- Amendment of the first paragraph of Article 22 by adding at the beginning of such paragraph the words "For the purpose of determining the issue and redemption price per Share" and by replacing the words "once monthly" by "twice a month".

- by amending the provisions of Article 23, B.c.) so as to read as follows:

"e) all other liabilities of the Corporation of whatsoever kind and nature. In determining the amount of such liabilities the Corporation shall take into account all expenses payable by the Corporation which shall comprise formation expenses, fees and expenses payable to its directors, investment advisers or investment managers, accountants, custodian, domiciliary, registrar and transfer agents, any paying agents, subscription and redemption agents and permanent representatives in places of registration, any other agent employed by the Corporation, fees for legal and auditing services, promotional, printing, reporting and publishing expenses, including the cost of advertising or preparing and printing of prospectuses, explanatory memoranda, registration statements or annual and semi-annual reports, stock exchange listing costs and the costs of obtaining or maintaining any registration with or authorization from governmental or other competent authorities, taxes or governmental charges and all other operating expenses, including the cost of buying and selling assets, interest, bank charges and brokerage, postage, telephone and telex as well as the cost of holding shareholders' and directors' meetings. The Corporation may calculate administrative and other expenses of regular or recurring nature on an estimated figure for yearly or other periods in advance, and may accrue the same in equal proportions over any such period."

- by amending Article 27 so as to read as follows:

"The appropriation of the annual net profit and any other distributions shall be determined by the annual General Meeting upon proposal by the Board.

Such appropriation may include the creation or maintenance of reserve funds and provisions, and determination of the balance to be carried forward.

Any distributions shall be paid at the places and at the time fixed by the Board. The General Meeting may authorize the Board to pay such distributions in any currency and, at its sole discretion, to fix the rate of conversion of the dividends into the currency of the actual payment.

Interim dividends may be paid out upon decision of the board of directors.

No distribution may be made unless after declaration of such distribution the Corporation's capital is less than the minimum capital imposed by law.

The Corporation may aggregate such income equalisation arrangements as the Directors may think fit with a view to ensuring that the level of dividends payable is not affected by the issue or redemption of shares during an accounting period."

II. to further amend the Articles of Incorporation

- by amending Article 2 to read as follows:

"The Corporation is established for an indefinite period. Corporation may be dissolved by a resolution of the shareholders adopted in the manner required for amendments of these Articles of Incorporation, as prescribed in Article 30 hereof."

- by deleting in Article 12, first paragraph, the words "sent by registered mail";

- by adding to Article 13, first paragraph, the following:

"A majority of the board of directors shall at all times comprise persons not resident for tax purposes in the United Kingdom."

and by adding to Article 14, first paragraph, the following:

"but so that no meetings may take place in the United Kingdom."

and by adding to Article 14, seventh paragraph, after the first sentence, the following:

"and only if the majority of the directors so present or represented are persons not resident in the United Kingdom."

Alfa-Laval in talks with German food machinery supplier

By Robert Taylor in Stockholm

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, announced yesterday that it is negotiating the purchase of Krämer & Grebe, a West German company which is one of the world's leading suppliers of machinery for the meat treatment and sausage making industries.

Alfa-Laval said the acquisition would give it "a dominant position in the ready-made food sector. It would be able to offer products and processes for complete meat treatment from raw-material handling to packaging."

The German company, based in Hesse, is expected to have sales this year totalling DM120m (\$65.5m), with 65 per cent accounted for by exports. Alfa-Laval's latest negotia-

tions are part of its wider strategy of acquisitions particularly in the food engineering business. The acquisition of Krämer & Grebe would raise the Swedish company's total sales to the meat treatment and ready-made food industry to about SKr1bn (\$150m) a year.

If the negotiations succeed, the purchase would be the 18th made by Alfa-Laval in the past three years. These have added SKr2.4bn to the group's total cellular volume.

A few months ago the company bought Koppens, a Dutch company that manufactures machinery for meat production. Other conquests for Alfa-Laval in the meat and convenience food processing industry recently have occurred in the US, Sweden and West Germany.

BMW and Veba set up mobile phone consortium

BMW, the West German car maker, and Veba, the energy and industrial group, said yesterday they have set up a consortium with three foreign companies to apply for a private mobile telephone licence in West Germany.

The two companies said they joined forces with BellSouth Enterprises, a subsidiary of BellSouth of the US, the Racial Electronics unit of Racial Telecom of the UK, and France's Compagnie Financière pour le Radiotéléphone (Cofirad).

A private network will compete with a similar service called the D-net to be offered by the Bundespost, the German post office.

The Bundespost said in January it expected to decide this year which company will be awarded a licence for the network.

British Telecom has also said it wants to enter the West Ger-

man cellular phone market, where the private network will operate from 1990 or 1991.

The BMW/Veba statement said BellSouth operated more than 40 mobile telephone networks with 250,000 users in the US while Racial Telecom had 280,000 customers in Britain for its network which has been running since 1985.

Cofirad last year won a licence for the French cellular phone network being launched next month.

In the UK, Racial's Vodafone and Cellnet, a joint venture between BT and Securicor, run cellular radio networks.

In a statement issued in London, Racial said the new German networks would be based on the digital cellular phone standard developed by the Groupe Special Mobile (GSM) of the European Conference of Posts and Telecommunications.

It will form part of a pan-European cellular phone system.

and by adding to Article 14, last paragraph, the following:

"The board may also delegate any of its powers, authorities and discretions to any committee, consisting of such person or persons (whether a member or members of the board or not) as it thinks fit, provided that no delegations may be made to a committee of the board of directors, the majority of which consists of directors who are resident in the United Kingdom. No meeting of any committee of the board of directors may take place in the United Kingdom and no such meeting will be validly held if the majority of the directors present or represented at that meeting are persons resident in the United Kingdom."

- by deleting in Article II, third paragraph, the wording in parentheses;

- by amending Article 21, second paragraph, second sentence, by the following provisions:

"..... hereof, less such redemption charge as the board of directors may from time to time determine.

- by amending Article 22, last paragraph, by adding after the word "published" the words "if appropriate";

- by amending Article 23, sub-paragraph (A), item 3) by replacing the word "on the over-the-counter markets" by "a regulated market" and item 4) by replacing the words "over-the-counter market" and "dealt in on any over-the-counter market" by "regulated market";

- by replacing the provisions of Article 25 by the following provisions:

"The Corporation has entered into a management agreement with a company of the GT Group (the "Investment Manager"). The agreement is terminable by either party upon such notice as set forth in the said agreement whereunder such company will advise the Corporation on and assist it with respect to its portfolio investments. In the event of termination of said agreement in any manner whatsoever, the Corporation will change its name forthwith upon the request of the Investment manager to a name not resembling the one specified in Article one hereof.

The Corporation shall enter into a custodian agreement with a bank which shall satisfy the requirements of the law regarding collective investment undertakings (the "Custodian"). All securities and cash of the Corporation are to be held by or to the order of the Custodian who shall assume towards the Corporation and its shareholders the responsibilities provided by law.

In the event of the Custodian desiring to retire the Board of Directors shall use their best endeavours to find a corporation to act as custodian and upon doing so the directors shall appoint such corporation to be custodian in the place of the retiring custodian. The directors may terminate the appointment of the Custodian, but shall not remove the Custodian unless and until a successor shall have been appointed in accordance with the provisions to act in the place thereof.

and by deleting Article 28 and renumbering present articles 29, 30 and 31 as articles 28, 29 and 30

- by amending Article 29 by deletion of:

"either at the end of its life as specified in Article 2 thereof or prior thereto."

Resolutions on the agenda of the Extraordinary General Meeting will require a quorum of at least 50% of the outstanding shares and will be adopted if voted by the 2/3 of the shareholders present or represented.

In order to take part at the meeting of March 8, 1989 the owners of bearer shares will have to deposit their shares FIVE clear days before the meeting with the following bank who is authorised to receive the shares on deposit:

BANQUE INTERNATIONALE A LUXEMBOURG
2, boulevard Royal
L-2953 LUXEMBOURG

THE BOARD OF DIRECTORS

Sema stands by its British bride

Paul Betts on the end of a honeymoon after a software merger

The honeymoon has been brief for Sema-Metra and Cap Group. Last summer, Paul Betts, the large French financial group, married off its Sema-Metra software company with Cap Group of the UK to form what was dubbed at the time as the first "truly European software concern." But the French, to their dismay, soon found that all was not well with their English bride.

Six months later, the merged company, renamed Sema Group, announced that its 1988 earnings would fall considerably short of its earlier published expectations. It also announced a top management reorganisation and the resignation of Mr Mike Smith, the British joint managing director of the new Anglo-French software group who had been the architect of the UK company's recovery in the early 1980s.

"After the initial euphoria, we had a bad surprise," claims Mr Pierre Bonelli, the former chief executive of Sema-Metra, who has now become the sole managing director of the Sema Group. "But we have no regrets about the merger."

"There is nothing basically wrong with the British company and the core of the business is very solid. The problem is that we discovered it was a poorly managed company. Central management was weak and there was too much decentralisation. There was also a lack of overheads control."

In contrast, he claims, Sema-Metra has always been a very profit orientated and relatively centralised group with tight financial control. "My background is Texas Instruments and Sema-Metra has traditionally been run a bit like a US company while Cap was run like many European companies with a lot of decentralisation," Mr Bonelli says. "We were aware of a difference in our respective cultures but not to such an extent as we have discovered."

Although British analysts admit that there had been some slippage in Cap's management, they none the less suspect the French side of dramatising the problem to take overall control of the new merged company. However, Sema also acknowledges that its unexpected disappointing financial performance of the British company last year gave

the French side the chance to step in forcefully to shake-up the management in the UK.

But Mr Bonelli argues that the poor financial results in the UK left the French with little alternative but to intervene vigorously to put the British business back on a profitable track. "It caused quite a bit of emotion here when we discovered that instead of making about 50m in pre-tax profits last year, as expected, the British business would only manage to break even."

Moreover, the pill was all the more bitter to swallow because 1988 was a record year for the French company with net profits rising to FF84m (\$13.5m) on turnover of FF1.53bn from FF65m on FF1.4bn the year before.

From the beginning, Sema-Metra has been the pride and joy of Parisians. The bank created the company from scratch, successfully floated it on the Paris unlisted securities market, and backed its steady development in France, Spain, Belgium and Germany.

The merger with Cap Group last year after 12 months of secret negotiations was expected to crown Sema-Metra's irrepressible rise by associating it in a new transnational group capable of matching not only Cap Gemini's French rival and the largest European-owned computing services company, but also the dominant US groups in this field.

The reverse takeover of Cap Group involved the acquisition of Sema-Metra by Cap with the French shareholders receiving Cap shares and ending up with 55 per cent of the new company. The French partner is also poised to win a FF50m contract to supply the software system for the Olympic village for the Barcelona in 1992.

Yard, the group's UK marine engineering consultancy, is working on a \$30m contract over several years to provide the Royal Navy with a submarine command and control system. Sema also believes it is well-positioned to win the software systems contract for the

He also argues that Sema-Metra and Cap Group make a good fit. The two companies were about equal in size, each employing about 3,000 and each with annual turnover of around FF1.5bn. "Together we made a FF1.6bn a year sales group employing around 6,400."

Geographically, the two companies were also complementary, with Cap strong in the UK and the Netherlands and

Channel tunnel project. "All this shows that the group has solid bases and good prospects on both sides of the Channel," says Mr Bonelli. It also explains in part the violent reaction of Cap Gemini's principal European rival, the merger. Cap Gemini sought to topple the merger last year by launching a hostile bid for the new group. At one stage it accumulated a 29.9 per cent stake in the new company. "But we made it clear we had no intention of co-operating with them."

Although Cap Group had been vulnerable to a takeover with about 80 per cent of the UK company's capital in public hands, the merger locked up the British and French companies in secure hands. "Cap Gemini was trapped," says Mr Bonelli. "Between Paris, the Coal Board and our other shareholders, over 50 per cent of the group's capital was locked up."

Cap Gemini, with a current stake of about 20 per cent in the merged group, had not been offered a seat on the board of the new company and would only receive "a year book and an annual report."

Mr Bonelli is now confident that the British side of the business will recover its profitability to match by next year the French entity's level of profitability - net profits at 5.6 per cent of sales.

He also insists that he continues to consider the deal as "a true merger" and not a takeover of a British company by the French.

Mr John Chisholm, the head of Cap's Yard division, had been put in charge of the UK operation and was building up a new management team within the ranks of the British company. "But we have tightened the financial control of the UK operation from Paris."

The stocky, hard-nosed French managing director also says he wants to expand the group's operations in Germany through acquisition and in the Far East by internal growth. In the medium term, the group would also seek to acquire some assets in the US to penetrate the American market. "But our immediate priority is to get the UK back on track."

Pierre Bonelli: "no regrets about the merger"

Sema-Metra in France, Spain, Germany and Belgium. "Moreover, they were strong in industry," Mr Bonelli adds.

Both companies also felt it was important for each to attain the necessary critical size in an industry which has traditionally been technology driven but is becoming increasingly market driven.

The biggest size is now expected to boost the new group's chances in clinching major software contracts. Indeed, the group in the UK appears to be in a strong position to secure a \$28m (\$24m) order to supply Missey-Ferguson with a world-wide facility management system.

The French partner is also poised to win a FF50m contract to supply the software system for the Olympic village for the Barcelona in 1992. Yard, the group's UK marine engineering consultancy, is working on a \$30m contract over several years to provide the Royal Navy with a submarine command and control system. Sema also believes it is well-positioned to win the software systems contract for the

Perstorp seeks Norway laminate acquisition

By Sara Webb in Stockholm

PERSTORP, the Swedish specialty chemicals and plastics group, said yesterday that it is negotiating the acquisition of the laminate-producing operations currently owned by Norske Skog, the Norwegian forestry group.

The acquisition would help strengthen Perstorp's position in the Nordic market for laminates. Norske Skog's profitable laminate operations would add production capacity in Norway and boost sales by NKr240m (\$36m). Perstorp's surface materials division has annual sales of SKr1.3bn (\$207m).

Norske Skog plans to sell off the division as it does not fit in with its main forestry products operations. It produces decorative laminates and components for laminated kitchen, bathroom and furniture surfaces.

Mr Lars Arrrup, who heads Perstorp's surface materials division, said demand for decorative laminates had "increased sharply" in recent months. He expects sales to increase from SKr1.3bn to SKr1.5bn in the next year.

The Perstorp group showed a profit of SKr60m on sales of SKr5.15bn in its last year.

Former chairman sues Co op over dismissal

MR BERND OTTO, former management board chairman of Co op who is under investigation for possible accounts falsification and embezzlement, has filed suit against the troubled West German retailer for losses he incurred because of his dismissal last December.

The suit was filed in a Frankfurt court on Mr Otto's behalf by the Cologne-based law firm, Schlittler, Lühr und Görg, said a court official.

Separately, Bank für Gemeinwirtschaft, one of banks that bailed out Co op last year, expressed confidence the retailer's restructuring would succeed.

Fried. Krupp, the West German steel and engineering group, said it expected its 1988 pre-tax loss would be substantially below earlier forecasts of up to DM100m (\$55m).

The company gave no reasons for the improved forecast. Krupp has said that its industrial plants division incurred a loss of about DM300m while other departments were profitable. The company made a 1987 group net profit of DM62m.

Cassa di Risparmio di Torino (Carito), the leading savings bank in Piedmont, said it had increased its stake in France's Crédit Commercial de

France (CCF) from 1 per cent to just under 3 per cent.

Carito declined to say how much it paid for the stake in CCF, other than to say it had acquired around 800,000 common shares in purchases on the Paris bourse. On the basis of an average price of FF210, Carito spent around FF182m (\$27m) for the 2 per cent stake.

NEWS IN BRIEF

In Crédit Commercial CCF's common stock closed at FF209.30 in Paris on Monday.

The Turin-based bank said it had boosted its stake in the French commercial bank to further "develop operating synergies in the field of financial intermediation."

Bekaert, a Belgian manufacturer of steel wire and cord, announced yesterday it had sold two units to Treflumin, a subsidiary of the Ustnor-Saclor steel group of France.

Bekaert declined to name the selling price but said the sale was made for cash. The two units, both located in Belgium, make specialised equipment and had combined turnover in 1988 of Bfr1.54bn (\$40m) and combined personnel of 115.

Rule changes at Vancouver SE

By Robert Gibbens in Montreal

THE VANCOUVER Stock Exchange is tightening up its listing requirements for junior companies in response to widespread criticism.

It also plans to divide its trading board into a "venture" or speculative section for the stocks of companies meeting minimum listing requirements and resource and industrial

sections for trading stocks of more mature companies.

New junior industrialists must have raised C\$275,000 (US\$231,000) in seed capital, up from C\$100,000, before they can make a public offering. They will have to raise at least C\$850,000, up from C\$750,000, in the offering before the stock can be listed.

DnC


Den norske Creditbank

Primary Capital Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 21, 1989 to May 22, 1989 the Notes will carry an interest rate of 10% p.a. and the Coupon Amount per U.S.\$10,000 will be U.S.\$250.00.

February 21, 1989, London
By: Citibank, N.A. (CSSI Dept.) Agent Bank **CITIBANK**


YOKOHAMA ASIA LIMITED
(Incorporated in Hong Kong)
U.S. \$100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997



Unconditionally and irrevocably guaranteed by
THE BANK OF YOKOHAMA, LTD.
(Incorporated in Japan)

Notice is hereby given that the Rate of Interest for the initial interest period has been fixed at 10% per annum and that the interest payable on the relevant Interest Payment Dates May 22, 1989 against Coupon No. 15 in respect of US\$10,000 nominal of the Notes will be US\$250.00 and in respect of US\$200,000 nominal of the Notes will be US\$500.00.

February 21, 1989, London
By: Citibank, N.A. (CSSI Dept.) Agent Bank **CITIBANK**



Oil and Natural Gas Commission

U.S. \$150,000,000
Guaranteed Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 10.0625% and that the interest payable on the relevant Interest Payment Dates August 21, 1989 against Coupon No. 9 in respect of US\$10,000 nominal of the Notes will be US\$505.92.

February 21, 1989, London
By: Citibank, N.A. (CSSI Dept.) Agent Bank **CITIBANK**

CITICORP
U.S. \$350,000,000

Subordinated Floating Rate Notes Due August 14, 2011

Notice is hereby given that the Rate of Interest has been fixed at 9.875% p.a. and that the interest payable on the relevant Interest Payment Dates May 22, 1989 against Coupon No. 11 in respect of US\$10,000 nominal of the Notes will be US\$246.88 and in respect of US\$250,000 nominal of the Notes will be US\$617.18.

February 21, 1989, London
By: Citibank, N.A. (CSSI Dept.) Agent Bank **CITIBANK**

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 10.0625% and the Coupon Amount payable August 21, 1989 against Coupon No 21 will be US\$505.92.

By: CITIBANK, N.A. LONDON
February 21, 1989 Agent Bank

U.S. \$400,000,000

Banque Française Du Commerce Extérieur

Guaranteed Floating Rate Notes due 1997

For the three months February 21, 1989 to May 22, 1989, the Notes will bear interest at 10% per annum. U.S. \$500.00 will be payable on May 22, 1989, per U.S. \$10,000 principal amount of Notes.

February 21, 1989

INTL CAPITAL MARKETS

Study suggests options reduce share volatility

By Katharine Campbell

THE LONDON Traded Options Market yesterday released an independent study from the City University business school that claims options trading in London has reduced the price volatility in shares on which options are listed.

Dr Gordon Gemmill's study finds that, in certain circumstances, share price volatility is reduced by between 4 per cent and 12 per cent on a portfolio of stocks on which options are listed. The study period spans the 1987 stock market crash.

Dr Gemmill himself stresses the limitations of the study, however, as it is conducted on a small sample of shares over a relatively short period of time. A larger sample would be needed to obtain clearer results, he noted yesterday.

Derivative instruments, including options, have been treated with suspicion in some quarters of the investment community, partly because of their leveraged nature.

Some such critics saw a causal link between deriva-

tives, usage and the stock market crash. But the academic literature that exists in this field, most of which has concentrated on the US market, has generally found that both futures and options reduce rather than increase price fluctuations.

In the case of options, this is largely because "the options market is likely to complement rather than substitute for the equity market," according to Dr Gemmill.

The result, increase in liquidity should narrow bid-ask spreads, the gap between buy and sell prices. But collating this information was too big a task for the confines of this study. Instead, daily trading ranges, one of a number of volatility measures, were taken.

Dr Gemmill's study covers two approaches. In the first, the volatility of 10 shares was monitored, before and after options were introduced. The sample included options introduced on LTOOM during 1987, and the tests ran for a period of 20 weeks before and after the

options were listed.

The second approach is to take two roughly comparable share portfolios, one of 18 shares on which options existed, and another where there were no options. Daily price fluctuations were recorded from September to end-November 1987.

As regards the first sample, Dr Gemmill terms the results "not very clear." One of the problems is how to filter out price changes unrelated to options trading. The study adjusts for broad market movements using the T-S&P 100 index, but this is at best an imperfect guide.

Dr Gemmill is more confident of the significance of his second group of findings - where he discovers a reduction in volatility on the bundle of shares with options.

The principal weakness of the study is its limited scope. Mr Quintin Price, head of options research at James Capel, reckons its observations are too narrow to draw any firm conclusions.

NSW offshore bond increased

By Chris Sherwell in Sydney

MANAGERS of the novel New South Wales Treasury Corporation "exchangeable" bond have increased the size of the issue from A\$150m to A\$225m following a strong response from offshore institutional investors.

The increase makes the issue one of the largest ever offerings of Australian dollar bond offerings, and underlines the importance of the issue's main feature - its "exchangeability" into equivalent domestic paper.

It is structured so that holders will find their interest payments free of Australian withholding tax, like other offshore offerings, but will also enjoy access to the domestic market's higher liquidity should they wish to sell.

The manager, Bain & Co, the Australian investment bank, has pitched the issue directly to the retail investors who typically take up most

Australian dollar bond offerings. It carries the same 12.1 per cent coupon of the equivalent NSW Treasury Corp domestic bond.

The issue is only the second of its type. The first, issued by Australia's Telecom, and led by manager Domergue Barry Samuel Montag, carried slightly different conditions, and was also increased in size following a strong investor response.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday February 20, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN	COUNTRY	£ STG	US \$	D-MARK	YEN
Algeria (Dinar)	12.0088	6.2076	3.4990	4.5022	Greenland (Danish Kroner)	12.0088	7.1746	3.8930	5.6737
Andorra (Pfr)	11.0750	6.2076	3.4990	4.5022	Greece (Dr)	14.7025	7.2928	3.8930	5.6737
Angola (Escudo)	202.65	114.9135	62.5538	80.8744	Guatemala (Quetzal)	2.7481	1.4911	2.1732	2.1732
Antigua (Antigua Dollar)	1.4471	2.1732	1.2500	1.6250	Haiti (Gourde)	8.8300	4.6700	2.7149	3.5296
Argentina (Peso)	16.7000	8.8300	4.6700	6.1667	Hong Kong (Hong Kong Dollar)	1.0000	5.0000	2.5000	3.2500
Australia (Dollar)	1.5000	7.5000	3.7500	4.8750	Hungary (Forint)	16.0000	8.0000	4.0000	5.2000
Austria (Schilling)	13.7603	6.8801	3.4400	4.4134	India (Rupee)	16.7000	8.3500	4.1750	5.3750
Bahamas (Bahama Dollar)	1.7000	8.5000	4.2500	5.5000	Indonesia (Rupiah)	1.7000	8.5000	4.2500	5.5000
Bahrain (Dinar)	4.7600	23.8000	11.9000	15.3750	Iran (Rial)	1.7000	8.5000	4.2500	5.5000
Barbados (Dollar)	1.4471	2.1732	1.2500	1.6250	Israel (Sheqel)	1.7000	8.5000	4.2500	5.5000
Belgium (Franc)	36.3636	18.1818	9.0909	11.7273	Italy (Lira)	1.7000	8.5000	4.2500	5.5000
Belize (Belize Dollar)	1.4471	2.1732	1.2500	1.6250	Japan (Yen)	1.7000	8.5000	4.2500	5.5000
Belize (Belize Dollar)	1.4471	2.1732	1.2500	1.6250	Jordan (Jordanian Dinar)	0.8824	4.4120	2.2060	2.8276
Bolivia (Boliviano)	1.4471	2.1732	1.2500	1.6250	Kazakhstan (Tenge)	1.7000	8.5000	4.2500	5.5000
Bosnia (Bosnia Mark)	1.4471	2.1732	1.2500	1.6250	Kenya (Kenya Shilling)	176.35	88.175	44.0875	57.1125
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Korea (Korean Won)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Malaysia (Malaysian Ringgit)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Mexico (Mexican Peso)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Moldavia (Moldovan Leu)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Morocco (Moroccan Dirham)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Mozambique (Mozambique Escudo)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Nepal (Nepalese Rupee)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Netherlands (Guilder)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	New Zealand (New Zealand Dollar)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Nicaragua (Cordoba)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Nigeria (Naira)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	North Korea (North Korean Won)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Oman (Omani Rial)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Pakistan (Pakistan Rupee)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Panama (Panamanian Balboa)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Paraguay (Paraguayan Guaraní)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Peru (Peruvian Sol)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Philippines (Philippine Peso)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Poland (Polish Zloty)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Portugal (Portuguese Escudo)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Romania (Romanian Leu)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Russia (Russian Ruble)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Saudi Arabia (Saudi Riyal)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Senegal (Senegalese Franc)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Sierra Leone (Sierra Leone Leone)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Singapore (Singapore Dollar)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Slovakia (Slovak Koruna)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Slovenia (Slovenian Tolar)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	South Africa (South African Rand)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Spain (Spanish Peseta)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Switzerland (Swiss Franc)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Taiwan (New Taiwan Dollar)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Thailand (Thai Baht)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Togo (CFA Franc)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Tonga (Tonga Pa'anga)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Trinidad (Trinidad Dollar)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Turkey (Turkish Lira)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Uganda (Uganda Shilling)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	United Kingdom (Sterling)	1.0000	5.0000	2.5000	3.2500
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	United States (Dollar)	1.0000	5.0000	2.5000	3.2500
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	USSR (Soviet Ruble)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Venezuela (Venezuelan Bolívar)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Yemen (Yemeni Rial)	1.7000	8.5000	4.2500	5.5000
Brazil (Cruzado)	1.4471	2.1732	1.2500	1.6250	Zimbabwe (Zimbabwe Dollar)	1.7000	8.5000	4.2500	5.5000

Special Drawing Rights February 17, 1989 United Kingdom £0.786600 United States \$1.250000 Germany West D-Mark 2.456811 Japan Yen166.788 European Currency Unit Rates February 20, 1989

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non-commercial rate; (i) Business rate; (j) Bond; (k) Bond; (l) Bond; (m) Bond; (n) Bond; (o) Bond; (p) Bond; (q) Bond; (r) Bond; (s) Bond; (t) Bond; (u) Bond; (v) Bond; (w) Bond; (x) Bond; (y) Bond; (z) Bond.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 20

US DOLLAR	Change on	YEN	Change on
Abbey National 7 1/2 92	100 95 1/2	55 101 1/2	0 1/2
Abbey National 8 1/2 92	100 95 1/2	55 101 1/2	0 1/2
A.B.C. 9 1/2 92	100 95 1/2	55 101 1/2	0 1/2
B.N.L. 7 1/2 92	100 95 1/2	55 101 1/2	0 1/2
B.N.L. 8 1/2 92	100 95 1/2	55 101 1/2	0 1/2
B.N.L. 9 1/2 92	100 95 1/2	55 101 1/2	0 1/2
Canada 10 1/2 92	100 95 1/2	55 101 1/2	0 1/2
C.C.E. 9 1/2 92	100 95 1/2	55 101 1/2	0 1/2
Commerzbank 7 1/2 92	100 95 1/2	55 101 1/2	0 1/2
Credit Lyonnais 9 1/2	100 95 1/2	55 101 1/2	0 1/2
Credit Lyonnais 8 1/2 92	100 95 1/2	55 101 1/2	0 1/2
Credit Lyonnais 7 1/2 92	100 95 1/2	55 101 1/2	0 1/2
Dalmeida 7 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 7 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 8 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 9 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 10 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 11 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 12 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 13 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 14 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 15 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 16 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 17 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 18 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 19 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 20 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 21 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 22 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 23 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 24 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 25 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 26 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 27 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 28 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 29 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 30 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 31 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 32 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 33 1/2 92	100 95 1/2	55 101 1/2	0 1/2
E.E.C. 34 1/2 92	100		

INTERNATIONAL CAPITAL MARKETS

Syndicate managers angry at new issue procedures

By Andrew Freeman

CONTRIVERSY over the handling of new issues preoccupied the Eurobond market yesterday. Two Euro-sterling deals were widely criticised by the syndicate managers involved and by new issue traders.

Complaints about new-issue syndication procedures are being raised by those who think that current rules allow unacceptable manipulation of the market and exploitation of other syndicate members by the lead manager.

Warburg Securities was the lead manager yesterday of a \$100m nine-year deal for Abbey National Building Society which suffered amid falling government bond prices and aroused strong comment from several rival houses.

The bonds were priced at 101 1/2 to yield 10.47 per cent on a semi-annual basis, some 69 basis points over the 9 1/2 per cent US gilt-edged bond. Several traders said this spread was extremely tight and that the issue had been mispriced.

The lead manager pointed out that the Abbey National bonds were classified as senior debt, and should not be directly compared with subordinated paper which yields more because its holders have less priority in the event of default.

Subordinated paper was yielding around 85 basis points over government bonds yesterday, which argued for a yield of nearer 70 basis points on the

Abbey National bonds. Traders countered that the maturity implied a yield of 80-85 basis points and speculated that the deal was being subsidised by the lead manager.

Investors demonstrated a restrained appetite for the paper and the bonds were soon trading at less than a bid, a discount equivalent to full fees, a level at which large amounts of paper are thought to have been sold back to Warburgs. A War-

burg official confirmed that bonds had been bought back but declined to say how many. In late trading the bid price moved lower to less than 2 1/2, falling partly with the decline in the government bond market, but mainly because the lead manager was trying to discourage further selling. The issue proceeds were swapped into floating-rate sterling.

This followed a floating-rate note launched last Friday by Credit Suisse First Boston which ran into strong criticism for the way the lead manager failed to support the issue price during the first hours of trading. "At least Warburg was there, supporting the issue with a bid price," commented one trader.

The CSFB-led issue of \$100m five-year notes for HMC Mortgage Notes 102 plc, was the second fixed-rate mortgage-backed issue by Household

Mortgage Corporation. It has aroused controversy because it was tightly priced and because CSFB chose not to support the deal during syndication.

The original issue, known as HMC 101, was issued at a spread of 82 basis points over UK government bonds. The HMC 102 notes came at a significantly tighter spread of some 75 basis points. CSFB said it was trying to establish a new, lower level at which a highly-rated borrower like HMC could tap the market.

Critics were numerous. The timing of the deal - it was launched just before sensitive economic data - was attacked. CSFB said the timing was dictated by swap opportunities.

Several houses declined to take part in the issue, feeling it would be hard to place. Those who did join the group had no real chance to sell paper back to CSFB because the lead manager did not offer the customary support to the deal.

"We couldn't find a bid price until very late on Friday, and that price was less than 2 1/2 which was outside fees," complained one trader who wanted to sell paper. "Why is the lead manager there, if not to establish the liquidity of the deal by making a two-way price?"

CSFB, which by contrast is currently artificially inflating the price of an Ecu100m issue for Toyota Motor Credit - countered that it was happy to see the issue judged on its own merits rather than supported by a false price.

Some Eurobond officials felt the issue had damaged the prospects for further fixed-rate mortgage-backed deals.

Swiss banks forced to open their books

David Lascelles examines the wider impact of last week's loss disclosures by UBS

The decision by Union Bank of Switzerland last week to lift the veil concealing the losses of its London securities operations was welcomed by analysts as a move by the notoriously secretive Swiss towards greater disclosure.

But it also provided an indication of just how misleading Swiss bank reports can be. Among the information given by UBS was the fact that Phillips & Drew, its London securities arm, lost \$81m (\$144m) in the year ended March 1988. Yet there was no hint of this in UBS' 1987 annual report.

The section on P&D commented: "In addition to the company's successful endeavours to adapt its activities to the new market conditions prevailing in the City of London, significant progress was made in other longer-term projects designed to modernise Phillips & Drew's leading market position."

Equally uninformative was the section on UBS' troubled London-based Euromarkets operation, UBS (Securities). The report said that the firm "further strengthened its reputation as a first rate lead manager of international capital market issues."

In reality, UBS (Securities) lost \$28.9m before tax in 1987 - information which was not published, but only disclosed in the statutory accounts lodged at Companies House.

Analysts also believe that UBS' New York securities operation lost a similar amount of money that year, though, again, this was not in the annual report.

Swiss Bank Corporation has been equally reticent about the fortunes of its securities operations in London, Swiss Bank Corporation International (SBCI), which has also lost money.

The 1987 annual report said that trading in both the equity and debt markets that year had been poor, and the Basel-based holding company, SBCI Holding, "as a whole was unable to show a profit and omitted a dividend."

Again, a search through Companies House reveals that SBCI London lost \$27.7m before tax that year, blaming the losses in the markets. Mr Hans de Gier, the chief executive in London, confirms the figure, though he stresses that there were also goodwill write-offs relating to SBCI's acquisition of Savory Mill, the stock-broking firm.

Asked about SBCI's results for 1988, he declines to give any details in advance of the announcement of the group results. But he comments: "They're better."

The accounts for SBCI's New York securities operations give no profit and loss figures. But figures for the balance sheet show that there was a fresh infusion of capital in 1987.

Credit Suisse has been the beneficiary of its fortunes in London, partly because many of them are wrapped up in Credit Suisse First Boston, its joint venture with First Boston which reports separately. But

the bank disclosed in its last annual report that Credit Suisse Bankmaster & Moore, its 100 per cent owned London securities subsidiary, lost \$3m in 1988 and made a small profit of \$200,000 in 1987.

The only overall public indication that the banks gave last year of their problems was the 3 per cent fall which each of them reported in their net income.

The banks are due to announce their 1988 results at the end of this week, and analysts are waiting with interest to see whether they will be more informative this time round.

Ironically, UBS' made its dramatic disclosures last week just as the Swiss Association of Financial Analysts and Investment Managers called for fuller disclosure by Swiss banks. The Swiss are slowly moving towards greater openness, the process is likely to be slow, for a number of reasons.

One is the fact that the banks dominate the local stock

exchanges, and are able to keep at bay the sorts of disclosure pressures that operate in more open exchanges, with independent analysts.

Another is that the habit of secrecy is deeply ingrained in the Swiss banking mentality, and the Big Three Swiss banks are worried about the impact that news of losses might have on their credit standing, which is among the highest of any banks in the world.

From a technical accounting standpoint, Swiss banks can conceal considerably more than banks in other countries because they are not yet required to publish consolidated accounts. This enables them to pass over the results of subsidiaries.

However, the banks already report on a consolidated basis to their regulators at the Swiss Bank Commission, and they say they intend to move to public consolidated reporting over the next few years.

Prof Mario Monti, an economist who is also deputy chairman of Banca Commerciale Italiana, said yesterday that the new requirement "is certainly less of a constraint than an absolute ceiling would have been." He added that the measure was "justifiable structurally as it applies the same rule to foreign currency lending as already exists in local lending."

The Italians are concerned that the number of institutions have been borrowing in non-lira currencies such as D-Marks, where interest rates are significantly below the lira level. These funds are then converted into lire. The new requirement will add around 1.5 per cent to the cost of foreign currency borrowing from banks operating in Italy. This may mean that Italian institutions wishing to borrow foreign currencies will now go directly abroad to avoid the high cost.

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INTERNATIONAL BONDS

burg official confirmed that bonds had been bought back but declined to say how many. In late trading the bid price moved lower to less than 2 1/2, falling partly with the decline in the government bond market, but mainly because the lead manager was trying to discourage further selling.

This followed a floating-rate note launched last Friday by Credit Suisse First Boston which ran into strong criticism for the way the lead manager failed to support the issue price during the first hours of trading.

The CSFB-led issue of \$100m five-year notes for HMC Mortgage Notes 102 plc, was the second fixed-rate mortgage-backed issue by Household

Mortgage Corporation. It has aroused controversy because it was tightly priced and because CSFB chose not to support the deal during syndication.

The original issue, known as HMC 101, was issued at a spread of 82 basis points over UK government bonds. The HMC 102 notes came at a significantly tighter spread of some 75 basis points.

CSFB said it was trying to establish a new, lower level at which a highly-rated borrower like HMC could tap the market. Critics were numerous. The timing of the deal - it was launched just before sensitive economic data - was attacked.

CSFB said the timing was dictated by swap opportunities. Several houses declined to take part in the issue, feeling it would be hard to place. Those who did join the group had no real chance to sell paper back to CSFB because the lead manager did not offer the customary support to the deal.

Government bonds take a breather

By Katharine Campbell

IT WAS a largely uneventful day in the government bond markets yesterday, with the US closed for President's Day and most eyes fixed on economic signposts from the Federal Reserve chairman's Humphrey Hawkins testimony to congress today and tomorrow.

In the UK, domestic economic data proved the main focus of the day, as a higher than expected total for bank and building society lending (M4) shaved a little off prices of gilt-edged securities.

M4 increased by an unexpected 28.4bn, against 27bn in December, betraying a slowdown in personal lending, but continued strength in lending to the corporate sector. Economists reckoned that against this background there was little scope for base rate cuts in the near future.

The benchmark Treasury bond due 2003-2007 closed down at 116 1/2 on the news. The 10-year gilt, which was generally quiet in anticipation of the Emperor Hirohito's funeral at the end of the week.

The benchmark No.111 bond closed virtually unchanged on Friday, at a yield of 4.865 per cent. However, short maturity high-coupon bonds gained up to 10 basis points in yield as possible forthcoming changes in accounting practices mean that the traditional premium of high coupon low coupon stock is rapidly eroding.

There was substantial rolling forward of position. This is particularly in a closing of open interest in the April 1989 calls, some 2,767 calls reducing the number of non-callable contracts by 734 to 4,082. Accompanying this was an opening of interest in the September 1989 calls, which on 988 contracts showed an entry of positions, from 48 contracts to 1,031.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Red Date, Price, Change, Yield, Week ago, Month ago. Rows include UK GILTS, US TREASURY, JAPAN, GERMANY, FRANCE, CANADA, NETHERLANDS, AUSTRALIA.

Foreign currency control imposed on Italian banks

By Alan Friedman in Milan

ITALY'S monetary authorities, concerned at an excessive growth in bank lending, have imposed a new reserve requirement on foreign currency borrowing by Italian banks.

Observers say banks will have to hold as reserves 25 per cent of their average increase in foreign currency borrowings.

The Bank of Italy, which recommended the reserve measure to the Treasury, said yesterday that overall bank lending in January grew by 20 per cent. This is dramatic, it observed, since the target range of between 7 per cent and 10 per cent for bank lending for 1988.

Foreign currency lending grew by an average rate of 25 per cent in 1988, reaching 1.42,000bn last month. Growth in the last quarter of 1988 totalled 15,000bn, or a rise of 16 per cent on the 420 contracts to 2,248, while the April 1989 calls found 387 contracts, of which 287

represented an opening of interest to 1,150.

Overall turnover in the market came to 45,315 contracts, showing a recovery from days of modest activity recently, and reaching half as much again as last summer's broad average. A number of electrically based stock, such as Plessey, Divesco, GIC and Racal, made major contributions to the day's turnover. Plessey alone found business of 2,026 call contracts, and no more than 203 put contracts. The underlying share price was unchanged at 250p.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrower, Amount m., Coupon %, Price, Maturity, Fees, Book runner. Rows include US DOLLARS, CANADIAN DOLLARS, STERLING, D-MARKS, SWISS FRANCES.

LONDON MARKET STATISTICS

Table with columns: Rises, Falls, Stagnant. Rows include British Funds, Financial and Properties, Oils, Plantations, Others.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Price, Yield, etc. Rows include various corporate and government bonds.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Price, Yield, etc. Rows include various fixed interest stocks.

RIGHTS OFFERS

Table with columns: Issue, Amount, Price, Yield, etc. Rows include various rights offers.

TRADITIONAL OPTIONS

Table with columns: Issue, Amount, Price, Yield, etc. Rows include various traditional options.

LONDON TRADED OPTIONS

ROLLS-ROYCE, which rose 7p on the underlying market to 77p, stole the thunder on the London Traded Options Market yesterday, attracting 5,347 contracts - each worth 1,000 shares. Total call contracts in the stock option came to 5,263 and call to only 21.

Table with columns: Issue, Amount, Price, Yield, etc. Rows include various options.

FT-ACTUARIES SHARE INDICES

Table with columns: Index, Change, etc. Rows include various share indices.

FIXED INTEREST

Table with columns: Index, Change, etc. Rows include various fixed interest indices.

PRICE INDICES

Table with columns: Index, Change, etc. Rows include various price indices.

UK COMPANY NEWS

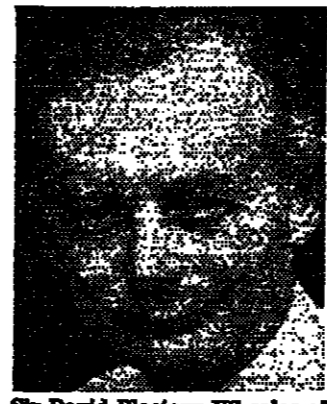
Vickers tops forecast with £69.8m

VICKERS, the engineering group, yesterday produced preliminary pre-tax profits of £69.8m, an 12 per cent increase on the previous year. The profits increase from £62.6m was achieved despite the appreciation of sterling, which had an £14m adverse effect on a year-on-year basis. However, Vickers said that without its programme of currency hedging, the effect on profits would have been £18m greater. The Rolls-Royce motor cars division reported an increase in profits, despite the adverse currency shift and Sir David Plastow, the chairman, said that Rolls-Royce sales in the US rose in contrast to the experience of many other European luxury car exporters. The Bentley Turbo R had been successfully introduced into the US market. In the defence and aerospace divisions, the company is producing a batch of prototype Challenger 2 tanks for the Ministry of Defence. Vickers said it was confident that the Government would place a production order before the end of the year. It added that potential overseas business would comfortably exceed in value the prospective order for the British Army. Howson-Algraphy, the lithographic printing plates and supplies division, also increased profits and has commissioned a fifth reel machine at the Leeds production plant which will be a major addition to capacity. The medical equipment division, which produces baby incubators and monitoring equipment, increased profits despite weak demand in the early part of the year. The only division where profits fell was marine engineering where the company suffered from harsh competition in the propulsion equipment market. However, Vickers said the division's order book had improved. During the year, the company sold its furniture divi-

sion, mainly to a management team. Operating profits were 576m (£69.8m) with profits from related companies of £12m (£1.4m) and interest payable of £7.4m (£8.3m). Earnings per share were 19.3p (17.4p) and the final dividend was recommended 4.6p (4p), making a total of 7.5p (6.7p).

COMMENT

These were obviously good figures from Vickers, and the market looked particularly positive in knocking 2p off the shares. But the company is now hunting at using its very strong balance sheet to go for a major acquisition, and its record here - in furniture, Swedish marine engineering and US medical equipment - does not wholly inspire confidence. In addition, the market is gradually realising that the recently confirmed tank contract, while excellent for trading, makes the company much



Sir David Plastow: US sales of Rolls-Royce increased

harder to bid for. Indeed, Sir Ron Brerley's stake may end up a threat to the share price rather than a promise. On the other hand, a share price of 180p represents less than 10 times likely earnings this year, assuming pre-tax profits of perhaps 576m. This looks if anything on the cheap side, particularly given that the company's spread of interests makes it unusually proof against an economic downturn.

Goldberg warns on profits as Christmas sales disappoint

By David Waller

A. GOLDBERG & Sons, the Glasgow-based stores group, in which Charterhall has built up a 29.9 per cent stake, yesterday warned that group results for the year to March 25 were "unlikely to show a profit". The company blamed the reversal - from a comparable year the initial payment is £1.1m in cash and loan notes with further payments of a maximum of £4.9m based on performance between now and 1993. Charterhall, the former oil company headed by Australian businessman Mr Russell Goward, said that the announcement was not surprising, but disappointing nevertheless. Shares in Goldberg dropped 6p to 194p. Mr Mark Goldberg, chairman, denied that the announcement meant that the company was now vulnerable to a takeover bid. He said that Goldberg had already reacted to the depressed market conditions, by cutting overheads to the extent of £1.5m a year and agreeing to buy the Personal Contact Group, a clothing design and sourcing company. This, he claimed, would give Goldberg the edge over its competitors, and help it return to previous levels of profitability during the next financial year.

The policy of expanding out of Scotland followed the disposal of the company's consumer credit arm last May for £5.9m. In November, interim pre-tax profits were halved to £344,000, reflecting the move out of financial services. At the time, Mr Goward had suggested that Christmas sales might make up the lost credit card profits for the full year. "You can never rely on Santa Claus," Mr Goldberg then said. He admitted yesterday that the timing of last year's expansion had not proved propitious. PGC specialises in designing clothes for the young people's market; last year it made pre-tax profits of £307,000 on turnover of £9.2m. Charterhall, which first emerged as a shareholder in August 1987, said that there were "substantial untapped reserves of potential" in the company. Meanwhile, it was keeping its options open.

ChemEx dismisses its broker

By Vanessa Houldier

SHARES IN ChemEx International, a start-up company traded on the Third Market, were suspended yesterday after the company sacked T C Coombs, its sponsoring broker. The dismissal followed the announcement that Medrace, a third market company which is also sponsored by T C Coombs, had built up a 25.3 per cent stake last week. ChemEx yesterday described this stake as "unwelcome". Mr Harry Bradbury, chairman and chief executive of ChemEx, said that T C Coombs had a conflict of interest because it sponsored both ChemEx and Medrace. He declined to comment on ChemEx's relationship with the broker in the past. T C Coombs said yesterday

that it had trodden a "very neutral and very cautious" path between the two companies. It understood, however, why ChemEx was concerned about a potential conflict of interest, he said. Mr David Lees of Medrace said that his company was a passive long term investor. "At this stage, there is no interest in moving to a full bid," he said. Medrace had no intention of contributing to the business or having a representative on the board. The price paid for the shares, at 45p, was considered expensive, he said. ChemEx said it was taken by surprise by the purchase and it was still unaware of the intentions of Medrace as a shareholder. A telephone call

from Medrace on Friday evening provided its first contact. In a letter to shareholders published yesterday, ChemEx said that Medrace "will not be able to assist" in its development. There was no overlap between ChemEx's business, which is involved in chemical analysis of the environmental industry, and that of Medrace, which researches treatment for Aids and cancer, said Mr Bradbury. Medrace bought its shares in two tranches, acquiring 14.7 per cent of the company on Wednesday and a further 10.5 per cent on Friday. T C Coombs said that the shares were bought from a number of institutional and private clients. ChemEx's shares, which were valued at 33p at the start of last week were suspended at 48p.

Abdullahs leave Evered after boardroom conflict

By Nikki Tait

THE ABDULLAH brothers, who last month announced that they planned to resign from the board of Evered Holdings, the quarrying and building materials group, have left the company substantially earlier than expected. Although their departure - originally expected in June - was officially presented as amicable, no secret was made of the fact that there had been boardroom differences. Asked whether the early departure was at the brothers' or the company's initiative, Mr Roy Kettle, who took over as chief executive, said that it was "six of one and half a

dozen of the other." The "limbo" period, he added, was "perhaps not as comfortable as they thought it could be." The Abdullahs took control of Evered in 1981 and turned it into one of the more aggressively acquisitive mini-conglomerates of the early eighties. Mr Kettle said yesterday that the brothers would be taking up a sub-lease on some of the office space previously occupied by Evered in Guildford, but that he had no further knowledge of their plans. Evered itself is in the process of moving its head office from Guildford to Solihull.

Normans sells Freezeway chain

By Vanessa Houldier

NORMANS Group, discount retailer, yesterday announced the sale of Freezeway, a Scottish chain of freezer shops, for £2.46m. The decision to withdraw from frozen foods in Scotland follows an increase in competition. Normans is selling 24 freezer

shops and the leasehold of its Grangemouth cold store to Farmfoods, an Aberdeen-based company. A further five stores will be disposed of separately. Freezeway incurred a loss of £28,000 on turnover of £7.02m for the six months to October 1. The assets being sold are valued at £1.54m.

ChemEx also announced yesterday that it was in talks "with an internationally known and respected company in the environmental industry with a view to an association which will directly enhance shareholder value." Mr Bradbury said that the talks were "at a reasonably advanced stage" but declined to comment further.

Optim beats its placing forecast with £506,000

In its first results announcement since coming to the Unlisted Securities Market last July, Optim Group, computer systems company, reported taxable profits up 45 per cent at £506,000 for the year to the end of October 1988. Turnover was 28 per cent higher at £10.06m, against £7.85m. After tax of £34,000 (£20,000 credit) earnings per 10p share came out at 5.66p (4.42p). No dividend is being proposed, as announced in the prospectus. The results came ahead of the forecast made at the time of the placing. Mr Michael Brennan, managing director, said the present year had started well with strong trading in the first three months. During the period Optim set up a new division following the purchase of LFR Office Supplies (Herts) and JFR (Office Equipment).

Green Property virtually static at £1.17m

Green Property, the Dublin-based property investor and developer, reported virtually static pre-tax profits for 1988 at £1.17m (£1.17m). This compared with the £1.4m for 1987. However, the net asset value at December 31 1988 was 197p, as against 144p previously. The increase in net assets to £110,000 (£152,000), an increase in administrative costs to £515,000 (£479,000) and the lifting of interest payable to £406,000 (£259,000). After tax of £592,000 (£557,000), earnings worked through at 6.48p (5.6p). A final dividend of 3p (3p) is proposed. There was no extraordinary tax credit this time (£261,000).

BAA pays £8m for Scottish Express

BAA, formerly British Airports Authority, has bought Scottish Express, an international freight forwarder, from Laird Group for £8m in cash. In addition to a road distribution network with depots throughout the UK, Scottish Express provides aircraft handling services at three Scottish airports. In 1988 it made pre-tax profit

of £470,000 on turnover of £13m. Net assets were £2.4m at December 31. The acquisition reflects Laird's decision to concentrate resources on core businesses supplying automotive body seals and building products, together with growing interests in printing and packaging. Mr Jeremy Marshall, BAA

chief executive, said his group had been trying since privatisation to increase its involvement in the cargo business, particularly in air cargo. "The acquisition of Scottish Express marks the company's entry into a new and exciting business with excellent growth prospects and close connections to our core airports business."

Nav rises 17% at European Assets Trust

Net asset value of European Assets Trust NV over the twelve month period to December 31 1988 rose by 17.1 per cent from 152.7 to 177p. Net income was up from £1.34m to £1.34m (£0.93m) and earnings per share were £1.04 (£1.03). Total income for the year was £1.41m (£1.42m). It is proposed to maintain the full year's dividend at £1.02 per share, with a final payment of £1.03.

Castletown Press improves 26% to £66,000 midterm

Castletown Press, the Third Market-traded manufacturing stationery and printer based in County Kerry, achieved a 26 per cent rise in pre-tax profits from £183,711 to £280,207, or £65,888 in sterling for the six months to December 31. This result came from turnover increased from £523,823 to £432,782. Interest receivable this time increased to £2,218 (£2,523) and tax fell marginally to £16,746 (£16,775). Earnings per 10p share worked through at 5.15p (4.97p) and the interim dividend is maintained at 2p.

over increased from £523,823 to £432,782. Interest receivable this time increased to £2,218 (£2,523) and tax fell marginally to £16,746 (£16,775). Earnings per 10p share worked through at 5.15p (4.97p) and the interim dividend is maintained at 2p.

Temple Bar improves to £5.5m

The Temple Bar Investment Trust reported net assets per share at October 31 1988 increased by almost 10 per cent from 235.17p to 258.37p net of prior charges at market value. Attributable profits for the 12-month period to October

31 rose from £4.2m to £5.5m after a tax charge of £1.92m (£1.59m). The recommended improved final dividend of 5.3p (4.31p) makes total for the year of 8.5p (6.95p) and derived from earnings per share up from 7.41p to 9.854p adjusted.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's distributions.

TODAY

Interim: Ewart, Iatron, Peters (Michael), Peabody, Usher.

Final: Capital & Counties, Continental & Int'l, Green, Hat West Bank, Yorkshire Chemicals.

FUTURE DATES

Benson	Feb. 24	Mar. 2
Benchmark	Mar. 21	Mar. 22
Chambers & Fergus	Feb. 28	Mar. 22
Dolphin Packaging	Apr. 8	Mar. 23
Galliford	Mar. 8	Mar. 23
Kleinwort Benson Int'l Inc	Mar. 2	Mar. 23
Lucas	Mar. 22	Mar. 23
SWP	Mar. 22	Mar. 23
Thorsons	Mar. 27	Mar. 23
Woods	Mar. 27	Mar. 23
AMS	Feb. 27	Mar. 23
Aspley	Feb. 27	Mar. 23
PPP	Feb. 27	Mar. 23
Resulford	Mar. 18	Mar. 23
Canopus International	Mar. 1	Mar. 23
Christie International	Mar. 21	Mar. 23
Gilson Cards	Apr. 4	Mar. 23
Goodwin	Mar. 22	Mar. 23
Franklin	Mar. 22	Mar. 23
Interim	Mar. 22	Mar. 23
Macfarlane (Cianman)	Mar. 30	Mar. 23
Interim	Mar. 23	Mar. 23
Perimeter	Mar. 6	Mar. 23
Finlay Garner	Mar. 2	Mar. 23
Rue Excess	Mar. 2	Mar. 23
STC	Mar. 2	Mar. 23
Sevens Alesbrook	Mar. 9	Mar. 23
Valerion Inv	Mar. 9	Mar. 23

Oce (UK) rises 71% to £7.19m

Profits before tax of Oce (UK), a wholly-owned subsidiary of Oce van der Grinten of The Netherlands and formerly known as Ozalid Group Holdings, rose 71 per cent from £4.21m to £7.19m for the year to end-November 1988. Turnover expanded from £61.66m to £70.77m.

LAING PROPERTIES

Chelsfield, the private property group, has acquired a further 325,000 shares in Laing Properties taking its holding to 4.21m shares (7.21 per cent).

GrandMet's Greek talks

By Lisa Wood

GRAND METROPOLITAN, the UK food and drinks group, yesterday confirmed it was seeking a strengthening of relationships with Metaxa, one of Greece's largest drinks groups. GrandMet declined to elaborate on whether it was seeking to acquire Metaxa or form joint ventures with the privately-owned company which owns Metaxa brandy. Metaxa brandy according to Impact International, the research organisation, is the 58th largest brand in the world and the largest

selling duty-free brandy - as distinct from cognac - brand. Metaxa is distributed in the UK and in some other parts of Europe by Intermark, a joint venture between Metaxa and Underberg, the privately-owned German drinks company. Industry observers said that GrandMet would find attractive both the Metaxa brandy and the company's joint ventures in markets including West Germany where its own presence needed to be strengthened.

Laing Properties

Chelsfield, the private property group, has acquired a further 325,000 shares in Laing Properties taking its holding to 4.21m shares (7.21 per cent).

Robertshaw takes 15% stake in Hicking Pentecost

By John Thornhill

HICKING PENTECOST, the Nottingham-based knitwear manufacturer and dyer, has found another admirer. A parcel of shares, nearly 15 per cent of the total, has changed hands for the second time in less than a month. Robertshaw Holdings, a private property development company run by Mr Stuart Robertshaw, a Yorkshire businessman, is the latest to buy a significant stake. Robertshaw has purchased 946,000 shares, 14.83 per cent of Hicking Pentecost's share capital, for 89p a share. Parkfield Group, the industrial holding company, confirmed that it had sold 98.6 per cent of its 15 per cent shareholding in Hicking Pentecost on February 13 at a small profit. Parkfield picked up the shares earlier this month when Telios Holdings, the diversified engineering group, sold its 19 per cent stake. A spokesman for Robertshaw said the purchase was a strategic investment and declined to comment on whether it would lead to a bid. "We are keeping our options open," he said. Last year, Mr Robertshaw was involved in an abortive attempt to acquire Gnome Photographic Products, the Cardiff-based overhead projector maker. Mr Stephen Hyde, Hicking Pentecost's chairman and managing director, said yesterday: "I cannot see any benefit to our company from him (Mr Robertshaw) being a major shareholder." Mr Hyde said he had received a formal notification of the purchase last Friday, but it was not until yesterday that Mr Robertshaw had contacted him. Mr Hyde said he had arranged to meet Mr Robertshaw later this week. Commenting on the recent spate of share transactions, Mr Hyde said: "We are getting on with managing the business. It is making encouraging progress and we have some interesting developments under review." Hicking Pentecost's share price firmed by 5p to close at 94p, giving a market value of £8m.

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DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corres. pending dividend	Total for year	Total last year
Ashford Group	0.85	Apr 6	0.55	2	2
Castletown Press	24	Jun 2	2	0.12	0.12
Euro Assets	0.05	Jun 2	1.9	3	3
Green Property	24	Apr 14	16	30	28
Tarry (EW)	10.75	-	4.31	8.5	6.95
Temple Bar Inv	5.3	-	2	7.5	6.7
Thornorton Dual	2.25	-	4	-	-
Vickers	4.8	-	-	-	-

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. 10n capital increased by rights and/or acquisition issues. \$USM stock. \$Unquoted stock. \$Third market. \$Irish currency. \$South African currency. \$Gross throughout. \$Dutch currency.

ALBRIGHT & WILSON
1988 RESULTS

	1988	1987
	£m	£m
Sales	655.0	650.2
Trading profit	49.2	46.6
Capital expenditure	51.6	33.9
Net capital employed (end of year)	255.8	258.7
Return on capital (average in year)	19.1%	17.0%
Return on sales	7.5%	7.2%

The above figures and the notes below relate to the Group managed by Albright & Wilson, including companies owned directly by Tenneco.

The Company's operations are in four main groupings:

- Europe:** comprising two Business Groups - Detergents and Phosphates & Organics - with the European headquarters at Wuxley, Birmingham.
- Americas:** combining all operations in the USA and Canada, with headquarters in Toronto and a corporate office in Richmond, Virginia.
- Asia:** covering manufacturing companies in Singapore and Malaysia, offices in Hong Kong, Japan, South Korea and Taiwan and joint-venture companies in the Philippines, Singapore and Thailand, with headquarters in Singapore.
- Australasia:** comprising manufacturing operations in Australia and a selling company in New Zealand, directed from Melbourne.

The Group Head Office remains in London.

Albright & Wilson Ltd., 1 Knightsbridge Green, London SW1X 7QD

Albright & Wilson is a Tenneco company

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange

GRENALL WHITLEY PUBLIC LIMITED COMPANY

Registered in England: No. 14504C
(Incorporated in England under the Companies Acts 1862 to 1979)

Issue by way of placing of £50,000,000 10 per cent Debenture Stock 2014 at £99.163 per cent payable in full on acceptance.

Application has been made to the Council of the Stock Exchange for the whole of the above Stock to be admitted to the Official List.

Listing particulars of the Stock will be circulated in the Extel Statistical Service and copies may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 7th March 1989 from:

Grenall Whitley Public Limited Company
Wilderspool Brewery
Warrington WA4 6RH

Kleinwort Benson Limited
20 Fenchurch Street
London EC3P 3DB

and up to and including 23rd February 1989 for collection only, from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2 2ST.

21st February 1989

UK COMPANY NEWS

Gnash! Capers in the children's cartoon character camp

Andrew Hill sketches in the financial details of, say, Dennis the Menace's journey from his creator's pen to wider fame on a T-shirt front

IMAGINE OWNING a warehouse full of unsaleable Cabbage Patch Kids and you have a fair idea of the nightmares which can confront a character merchandiser.

Character merchandising - the licensing and marketing of fictional characters - is emerging cautiously from a recession. Two or three years ago, merchandisers were marketing a host of indistinguishable characters, in an attempt to imitate the Cabbage Patch dolls and the successful spin-offs from the Masters of the Universe science fiction cartoon. Children got bored with the copycat toys; character merchandisers and toy-makers got their fingers burned.

Recently, however, holding companies such as Mosaic Investments have been attracted into the market by the high margins generated in the licensing business. Other quoted companies, like Splash Products, have expanded from a specialised base in the little-known industry.

Some groups, like Coats Vyvella and Pearson, which own the Financial Times, already operate merchandising arms as offshoots of their textiles and fine china interests, while Pentos, for example,

owns licences to print characters on posters and greetings cards through its Athena subsidiary. There are two elements to character merchandising and licensing.

Like an institutional fund manager, a licensor handles a portfolio, but whereas the fund manager deals in shares, the licensor deals in the right to reproduce fictional characters on anything from toys to T-shirts, acting as an intermediary between the character's creator and the manufacturer.

The licensor markets that right to the manufacturer and takes a cut of the royalties demanded by the cartoonist, which could range from 3 to 15 per cent of the finished product's wholesale price depending on the popularity of the character.

At the other end of the chain is the producer, which has acquired, in Splash's case, rights to print certain fictional characters on T-shirts.

Mosaic is in the former category. It provides a sideline for Mr Gregory Hutchings, the chief executive of Tomkins, a much larger holding company. He and his family own 25 per cent of Mosaic, which, as Press Tools, moved into character merchandising last year when



Dennis the Menace and Gnasher, licensed by Mosaic for printing on Splash T-shirts

it bought Copyright Promotions Group. CPG markets the rights for, among others, DC Thomson comic characters like Dennis the Menace and Gnasher.

On the other hand, USM-quoted Splash Products, which started out printing posters in 1987, covers the

whole process from licensing, through manufacture and printing, to retailing. In the last three weeks it has attracted the unwelcome attentions of Astra Trust, the small engineering, property and financial services group, which has an option over 14.9 per cent of Splash's shares.

Splash claims to be Britain's biggest T-shirt printer following last month's purchase of Mobile Merchandising, from Freshwick Holdings, the consumer electronics, leisure and entertainment group. The acquisition added to Splash's portfolio of licences to print characters, who now include Garfield, the cartoon-strip cat, Roger Rabbit, the cartoon hero of Who Framed Roger Rabbit, the feature film, Wicked Willy, Asterix the Gaul, and the Beano and Dandy characters - a licence acquired from Mosaic.

But the group also makes T-shirts, and licenses and markets its own characters through Movie and Media Marketing, which was bought in 1987. To complete the process, last year Splash acquired Cerex Jewels, a chain of 16 shops in the West End, which help to sell the 3.6m T-shirts and sweatshirts printed by the group annually.

Theoretically it is only the manufacturer and the retailer which risk ending up with a stockroom full of cuddly has-beens. However, both licensor and producer rely on an ability to spot the next cult character, market it to death, and get out before the fad fades.

Splash's profits in the year

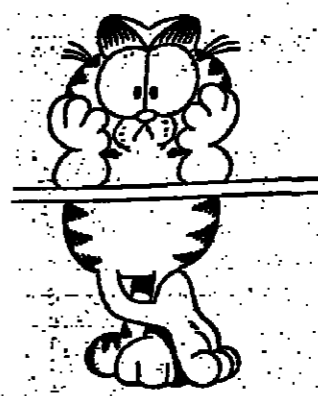
to the end of October rose from £282,000 to £337,000 before tax, helped by the acquisitions of MMM and Cerex, while CPG returned pre-tax margins of 37 per cent in the 12 months to April 1987.

But a misjudgment in the industry can still be disastrous. The once-ubiquitous Cabbage Patch Kids provide the most conspicuous warning that success can be short-lived. Last year the saccharine sweet-faced cuddly dolls, the best-selling toys in history at their peak in 1983, took ultimate revenge on their creators when Colson, the US manufacturer, was forced to file for bankruptcy.

Mr Mike Dash, until recently editor of the trade magazines Licensing Reporter and Licensed Product Marketing, says the market is already looking for the next craze.

"When it comes along everybody could jump on the bandwagon and the same thing could happen again," he says. "But my impression is that the amplitude of the swings will get less and less."

Both Splash and Mosaic should be protected from the worst effects of another crash. Splash can change its line of printed T-shirts quite quickly, while Mosaic would not be



© 1978 United Feature Syndicate Garfield - classic character from the Splash portfolio

the Walt Disney perennial. MMM is already accounting for the possibility that its star character, Gordon the Gopher, designed specifically for children's TV, will lose his popularity after just three years, five if he is marketed judiciously in Commonwealth countries.

Merchandisers, like prudent fund managers, are also moving their portfolio of licences away from the fickle children's market and towards the broader and more stable fields of corporate merchandising and the marketing of specific design concepts like the Country Diary of an Edwardian Lady.

CPG, for example, owns licences for the World Wildlife Fund for Nature, formerly the World Wildlife Fund - and licenses spin-offs from Mr Andrew Lloyd-Webber's musicals, from Cats sweatshirts through to the improbable-sounding Esprit de Phantom, a Phantom of the Opera perfume.

"The emphasis will be on adult products, because people in that age group have more money," says Mr Dash, heralding a coming of age in the industry. "More importantly, their tastes don't change as quickly as children's."



HIGHLIGHTS FROM THE STATEMENT OF THE CHAIRMAN, SIR DAVID PLASTOW:

1988 has been a significant and stimulating year for our Company, as the reshaping of our portfolio of businesses has continued. Pre-tax profits at £69.8m showed an increase of 11.5%. Earnings per share were 19.3p, an increase of 10.9% over 1987, up for the fifth consecutive year. From 5.6p in 1983, earnings per share have grown at a compound annual rate of 28%.

These results were achieved despite adverse currency movements; in particular, the decline of the U.S. dollar.

ROLLS-ROYCE MOTOR CARS produced an outstanding per-

11.4p
EARNINGS PER 50p ORDINARY SHARE

Results in Brief (£m)	1988	1987
Sales	776.3	738.3
Profit before taxation	69.8	62.6
Shareholders' profit	42.9	42.3
Dividends	(19.6)	(17.5)
Profit retained	23.3	24.8
Earnings per 50p ordinary share	19.3p	17.4p

formance despite the weakened dollar. Sales in the U.S. were up on 1987, in marked contrast to those of other highly-priced European imports.

In December 1988, our DEFENCE SYSTEMS development proposals for the Challenger 2 tank were accepted by the Government, and we shall produce a batch of prototypes by September 1990.

HOWSON-ALGRAPHY, our lithographic printing plates and supplies Division, had another good year, and increased

14.5p
EARNINGS PER 50p ORDINARY SHARE

shares in all key markets.

The MEDICAL DIVISION made worthwhile progress. Our new purchase, the Danish high-technology monitoring company, S&W, produced profits in line

with expectations and gives the Division good scope for growth into related areas.

In the difficult area of

16.3p
EARNINGS PER 50p ORDINARY SHARE

MARINE ENGINEERING there was some deterioration in profits overall.

CRABTREE VICKERS, the specialist printing machinery Division in Leeds, performed well, as did VICKERS PRECISION COMPONENTS, suppliers to the gas turbine aero-engine industry.

The Board is recommending a final net dividend of 4.6p per share, making a total of 7.5p for the year compared to 6.7p

17.4p
EARNINGS PER 50p ORDINARY SHARE

19.3p
EARNINGS PER 50p ORDINARY SHARE

COMPANY NEWS IN BRIEF

ACORN INVESTMENT Trust had a net asset value of 94.19p per share at January 31. AFV has exchanged contracts to buy Forchams and its subsidiary, the Howard Pump Company of Eastbourne, East Sussex, a manufacturer of positive rotary lobe pumps. Net assets of the companies being acquired are £300,000.

AVIVA UK has acquired 5.8m Viking Resources shares at 50p apiece. Aviva now speaks for 16.6m (49.2% per cent).

BOOTS has acquired the 45 per cent minority shareholding in its Italian subsidiary, Boots-Formenti SPA, and will now build its own marketing and selling organisation in Italy. Boots-Formenti sales for the year to March 31 1988 were £11.5m, with company assets valued at £20,000.

BREMBILL INDUSTRIES: Pre-tax profits £275,000 for year to October 31 1988, against £11,810 for 11 months to October 1987. Earnings 37.5p (38.9p pro forma). Brembill, which trades on the market made by Granville, has acquired GEM (Construction Fastener Products) for £2.0m.

BURNS-ANDERSON GROUP has paid £200,000 for Communicaid, an employment agency based in Rugby. Consideration is being satisfied by allotment and issue of 816,328 new ordinary shares. Communicaid made £131,000 profit before tax for the year ended April 30 1988 and the assets acquired were valued at £20,000. In addition, Burns-Anderson's acquisition of Investors Planning Association was satisfied by the allotment and issue of 1,122,449 new ordinary shares.

CHANCERY proposes to raise approximately £1.15m by the issue of 468,000 new ordinary (about 2.3% per cent). The shares will be placed with investment clients of CI-Alexanders Laing and Cruikshank.

DUNLOP HOUSE, the Dublin-based property company, has reported pre-tax profit up from £321,609 to £412,345 (£388,542) for the year ended December 31 1988, on turnover up from

FLEMING INVESTMENT TRUSTS NAVs as at 17.2.89 were: Fleming American 151.96p; Fleming Claverhouse 329.43p; Fleming Enterprise 183.95p; Fleming Far Eastern 265.04p; Fleming Fledgling 265.13p; Fleming Japanese 279.47p; Fleming Mercantile 253.97p; Fleming Overseas 217.86p; Fleming Technology 213.55p; Fleming Universal 181.40p.

HUMBERSIDE ELECTRONIC CONTROLS is to pay up to £1.2m for Marplen, a specialist toolmaker and precision engineer for the plastic moulding and die-casting industries. In the 10 months to September 30 1988, Marplen made pre-tax profits of £165,407, after payments to directors. An initial consideration of £300,000 is to be satisfied by the issue of some 5.33m Humberside shares at 15p.

JERSEY GENERAL Investment Trust: Pre-tax profits £2.3m (£200,000) on income of £3m (£1.4m) for six months to October 31. Earnings per share were 15.7p (5.4p). There was an extraordinary £200,000 debit.

PICT PETROLEUM: Amerada Hess has exercised its option to purchase a further 2.75m shares. Amerada Hess now owns 48.46 per cent of the enlarged Pict equity capital.

SAVE & PROSPER Return of Assets Investment Trust: At January 31 1989 total net assets amounted to £61.5m. The NAV per ordinary share was £29.60 before conversion of warrants and 25p treating the warrants as exercised on that date.

SAVE & PROSPER Linked Investment Trust: At January 31 1989 total net assets amounted to £54.9m. The NAV per capital share was £10.45.

TAREY (EW), Johannesburg-based trader and distributor: pre-tax profits for 1988 of £13.88m (£3.16m), against £8.57m last time. Turnover £284.91m (£204.65m). Earnings per 5p share 91 cents (70.9 cents). Final dividend 16 cents gross (same) to make 30 cents gross (23 cents gross).

High	Low	Company	Price	Change	Gross	Yield	P/E
					div (p)	%	
310	185	As. Brit. Ind. Ordinary	320d	0	10.3	3.3	8.4
307	186	As. Brit. Ind. Cals	307	0	10.0	3.3	
42	25	Armitage and Rhodes	36	0	-	-	-
57	29	B&I Design Group (OSM)	29	0	2.1	7.1	4.6
173	150	Bardon Group (SE)	154	0	2.7	1.8	26.3
117	100	Bardon Group Co. Prof. (SE)	107	0	4.7	4.3	-
146	103	Bry Technology	122	0	5.2	4.3	7.9
114	100	Brenhill Com. Prof.	107	0	11.0	10.3	-
290	246	CCL Group Ordinary	246	0	14.7	4.2	4.4
170	126	CCL Group 11% Cum. Prof.	168d	0	6.1	3.9	13.7
158	129	Carbo Pte (SE)	133	0	10.3	9.4	8.2
113	100	Carbo 7.5% Prof (SE)	107	0	12.0	3.2	15.9
372	147	George Dyar	372d	0	3.3	2.8	13.3
121	69	Idis Group	121d	0	7.5	7.5	3.8
118	64	Jackson Group (SE)	120	0	8.0	2.0	26.7
287	245	McKusker IV (AmstSE)	245	0	7.7	2.8	13.2
119	40	Robert Jenkin	100	0	-	-	-
430	124	Servotek	404	0	10.7	10.1	-
280	194	Tarey & Carlick	272	0	2.7	2.8	18.5
280	100	Tarey & Carlick Cum. Prof.	106	0	8.0	8.3	13.2
98	54	Trehan Holdings (USM)	98	0	10.7	10.1	-
113	100	Unicrest Europe Com. Prof.	109	0	2.7	2.8	18.5
371	250	Westway Group Co. Pte	371	0	8.0	8.3	13.2
370	203	W.S. Yates	368	0	22.0	5.9	9.4
					16.2	4.4	70.8

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FT 30 FTSE 100 WALL STREET
Feb. 16/98/1707 +16 Feb. 20/68/2078 +20 Feb. 23/32A A3 +6
Mar. 17/09/1718 +14 Mar. 20/82/2092 +18 Mar. 23/57/2369 +3

Prices taken at 5pm and change is from previous close at 9pm

1984 1985 1986 1987 1988

The contents of this advertisement, for which the Directors of Vickers PLC are solely responsible, have been approved for the purposes of section 57 of the Financial Services Act 1986, by an authorised person.

UK COMPANY NEWS

Ashtead advances 71% to £2.42m

By Vanessa Houlder

ASHTHEAD GROUP, USM-quoted plant hire group, yesterday announced a 71 per cent increase in pre-tax profits from £1.41m to £2.42m for the six months to October 31. This was struck on turnover increased by 61 per cent from £2.1m to £3.08m. The share price rose from 302p to 305p. Pre-tax margins were maintained at 24 per cent despite the impact of Power Products and Wimpole Hire, which were acquired in March and May 1988 respectively for a total of £2.45m. These companies, which account for a quarter of the group's turnover, originally had pre-tax profit margins of less than 5 per cent. Mr Peter Lewis, chairman, said Ashtead was integrating Reliant Plant bought in January 1988 for £5.78m, into its operational structure and he saw considerable scope for improving its pre-tax margins.

Reliant was not expected to contribute significantly to profits in the four months to April 30, due to the seasonal nature of the business. This seasonality was expected to be sharply reduced in line with established trading patterns in the group. Earnings per share improved by 55 per cent to 10.7p (6.9p). An increased interim dividend of 0.65p (0.55p) was declared.

COMMENT
In its two years on the USM, Ashtead has become famous for its innovative management style, impressive results and skilled presentations. Small wonder, then, that it has a devoted City following, which is happy to award the shares a lofty prospective rating of 15, (assuming profits of £4.5m this year). But the biggest danger here is the biggest: falls and Ashtead's very popularity pro-



Mr Peter Lewis, chairman of Ashtead Group

voles some unease about how the shares would fare in the event of an industry-wide downturn. Here again, however, Ashtead puts up a good show, displaying a number of

defensive points. Its management structure gives it the flexibility to cut overheads, prices and capital spending swiftly on a depot-by-depot basis. The resilience of its margins can be seen by their maintenance despite the dilutive effect of new acquisitions. Without further acquisitions, they could probably be pushed up to 30 per cent in the next couple of years - thanks to a strategy of increasing the throughput of its depots. It reckons that average turnover could rise to £1m, a sum now achieved by just seven of its 45 depots. Furthermore, with a mere 5 per cent share of the market, now estimated at £800m, Ashtead has good scope for improvement. Lastly, and perhaps most importantly, it believes that it is well insulated by its diverse customer base assuming that a broadly-based downturn is unlikely.

Parkfield buys four companies for £7.5m

By David Waller

PARKFIELD GROUP, the conglomerate with interests including video and foundries, yesterday announced its second set of purchases this year, bringing the total spent on acquisitions since last October to £17m.

The Surrey-based company is now spending a total of £7.5m cash in four separate deals to boost its core activities.

The companies being acquired are: the Clarendon foundry in Chesterfield, for £2.25m; the Walsall-based Homer Pressings, for £222,000; the Phoenix Iron Works, a subsidiary of the Richards group, for £2.5m; and the wholesale video distribution business Heron Relay for £1.9m.

The purchase of Homer Pressings, a company which supplies light pressings to the motor industry, is designed to complement Parkfield's existing business as a manufacturer of chassis and wheels. The company was bought from the receiver.

Parkfield, which already claims to be the biggest operator of foundries in the UK, has now bought two more - the Clarendon and the Phoenix Iron Works - to boost capacity under the pressure of strong demand from customers.

Heron will be moved into the new offices of Parkfield's entertainment division and the enlarged business will be used as a springboard into Europe.

Last month the acquisitive conglomerate bought two companies from Glynwed International, and sold its electrical goods division for £12m.

Parkfield's shares closed down 1p at 317p.

Wyndham in £2.5m sale

Wyndham Group has contracted to sell to Emerson Electric (UK) the freehold property known as Elgin Drive, Elgin Industrial Estate, Swindon. The price is £2.5m cash.

Peek expands in US via £9m purchase

By John Thornhill

PEEK, the electronics and industrial holding group which has been built up from a shell company in the past two years by Mr Kenneth Maud, is to make its second major acquisition in four weeks.

Saratec, Peek's wholly-owned US subsidiary, is to pay up to \$15.7m (£8.84m) for Transyt, a Florida-based manufacturer of traffic control systems. Peek already operates in this sector in the US and the UK through its Sarasota subsidiary, which it acquired in 1987.

Last month, Peek made an £18m recommended offer for Polytechnic Electronics, the USM-quoted company which designs and manufactures electronic navigation equipment.

Mr Ian McCue, executive director, said yesterday that the acquisition would complement Peek's core business in the traffic control industry and would enable it to market Transyt's systems in Europe.

Saratec will initially pay \$8m in cash and \$5m through the issue of redeemable zero dividend preferred shares.

In a separate option arrangement, Peek has agreed to buy these shares from Transyt's vendors over the next five years, either for \$5m in cash or through the issue of about 5.2m new Peek shares.

The precise terms depend on Peek's share price and the rate of exchange on completion of the acquisition.

Depending on Transyt's profits in the next two years, Saratec will pay an additional \$2.7m, either in cash or shares. Transyt's vendors have warranted that pre-tax profits for 1988 will not be less than \$2.5m.

Its net assets have been warranted to be at least \$3.8m at completion. In addition, land and buildings, valued at \$529,000, have been included in the initial consideration.

Thomas Robinson further expansion

By Clare Pearson

THOMAS Robinson, the engineering mini-conglomerate, is adding to its interests in process engineering through the purchase of T.H. Dixon, a manufacturer of coating and laminating machines, for a maximum cash consideration of about £1.8m.

The initial £1.4m payment for Dixon, which made an operating loss of £690,000 on £3.7m turnover in the year to end-June, is subject to adjustment depending on the consolidated net assets of the company on completion. These are expected to come out at about £1.5m.

Dixon has also warranted orders of £8.4m during the calendar year 1989 which will trigger a further £400,000 payment. Thomas Robinson says Dixon fits well with its Spooner Industries subsidiary which makes industrial drying machines frequently used in production lines alongside Dixon machinery.

Bridon adds to European distribution network

By Clare Pearson

BRIDON, the Doncaster-based rope manufacturer, is adding to the European distribution network for its fibre products through the purchase of the Danish company Esbjerg Tov.

Esbjerg has sold Bridon-produced agricultural twines and fibre ropes for the last few years. The company, which is being bought from Lauritzen of Denmark for an undisclosed

sum, has an annual turnover of about Dkr 31m (£2.5m).

Bridon says the acquisition strengthens its fibre presence in Europe following the purchase of Ostend Stores, France, in February 1988.

Earlier this month, Bridon realised a profit of £21m through the sale of its 40 per cent stake in TWIL, the UK's largest wire manufacturer.

Consortium sends formal offer for Hopkinsons

By Nick Garnett

THE CONSORTIUM interested in purchasing Hopkinsons, one of the core manufacturing companies of Hopkinsons Holdings, the Huddersfield valve maker, submitted a formal offer for the business yesterday.

The offer, sent to Hopkinsons, is worth between £8m and £12m which the consortium said was more than the break-up value of the company, less the cost of redundancy

payments. Hopkinsons Holdings announced a week ago that it was closing the Huddersfield factory following mounting losses and a labour dispute.

Mr Philip Thomas, a former chief executive of Hopkinsons, is leading the consortium which includes some managers still working at the company. It also involves employee participation.

COMPANY NEWS IN BRIEF

BROMSGROVE INDUSTRIES has acquired Reliance Compra, a subsidiary of Hall Engineering (Holdings). Consideration for the assets, which include stocks and fixed assets, is £250,000 cash. The acquisition increases Bromsgrove's involvement in trim and graphics.

CITY SIFE Estates has issued a further tranche of £15m 10.5 per cent first mortgage debenture stock 2017.

COURTAULDS has, through its subsidiary Rumpart, extended the offer for all the Tanhams ordinary not already owned until March 14. Acceptances have been received from about

60 per cent of ordinary shareholders for 2.06m ordinary taking Rumpart's entitlement to 67.5 per cent.

FIRTH (GM) Holdings is to acquire Caxton Steel, London-based steel stockholder, for £2.01m cash, subject to a satisfactory accountant's investigation. Caxton made pre-tax profits of £53,000 in the year ended December 31 1988.

HALLS HOMES and Gardens has, through a wholly-owned subsidiary, agreed to acquire Aluminium Greenhouses and its associate company Prinston Engineering. The consideration of £450,000 cash comprises net book value of £75,000

for the fixed assets and £375,000 for goodwill.

IRISH DISTILLERS: Following acceptance by GrandMet of its offer, Fernand Ricard, through its subsidiary Comrie, owns 97 per cent of Irish Distillers and will compulsorily acquire the remaining shares. Comrie's offer closes on March 2.

KENTISH TIMES newspaper's transfer to Yellow Advertiser newspaper group will not be referred to the MMC.

LONDON SHOP: Peel Holdings has extended the cash offer for the preference shares until February 24. The final revised loan note alternative is no longer available to preference

holders. By February 10 valid acceptances of the preference offer had been received in respect of 562,973 (85.8 per cent).

IR INDUSTRIAL and GENERAL: is to repay the following stocks on February 24 1989 together with accrued interest up to date of repayment: 3 1/2 per cent debenture stock, 4 1/2 per cent debenture stock 1982/97, 7 1/2 per cent debenture stock 2000-3 inclusive and 10 per cent debenture stock 2015. **WARD GROUP** has purchased Essex-based Smallman Developments with a turnover of £6m for £774,000 cash.

All these securities having been sold, this announcement appears as a matter of record only.



John Lewis plc

Placing of

£100,000,000 10 1/2 per cent. Bonds 2014

Arranged and underwritten by
S.G. Warburg Securities

All these securities having been sold, this announcement appears as a matter of record only.



THORN EMI

THORN EMI Capital N.V.

20,600

5 3/4 per cent. Guaranteed Redeemable Convertible Preference Shares 2004

guaranteed on a subordinated basis by, and convertible into Ordinary Shares of,

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Issue price £5,000 per Preference Share

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| Daiwa Europe Limited | Deutsche Bank Capital Markets Limited |
| Morgan Stanley International | NatWest Capital Markets Limited |
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| Swiss Bank Corporation | Union Bank of Switzerland (Securities) Limited |
| Investment Banking | |
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TECHNOLOGY

Two hours after saying that he thought a mainly plastic-bodied vehicle was unlikely to be seen this century, Karl Juellig was riding in one, courtesy of Dow, the US chemicals multinational.

However, Juellig had no cause for embarrassment, despite the fact that he is an executive engineer at car-maker Opel with responsibility for styling, design, product development and manufacturing engineering. For the plastic vehicle was Olympic champion Ekkehard Fasser's four-man bobsleigh, sponsored by Dow, and Juellig's ride was down the famed St Moritz run.

Juellig and 20 other senior engineers from European and US car companies were living out a sporting fantasy after 24 hours of intensive grappling with the realities of what the future holds for plastics in the motor industry.

Yet from Dow's seminar on plastics for car bodies a consensus had emerged that fantasy was increasingly meeting reality. Although not at the pace that Dow and other plastics producers with a strong interest in the motor industry might like.

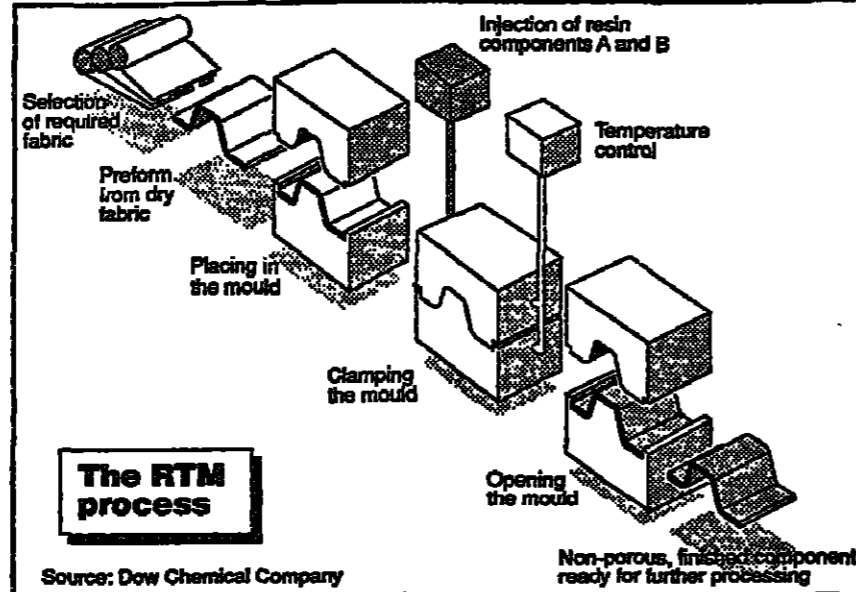
The seminar took place as General Motors was making final preparations for production of the GM-300 luxury "people carrier" which, badged variously as the Chevrolet Lumina and Oldsmobile Silhouette, will go on sale later this year.

"I believe that the GM-300, along with the Fiero sports car and Renault's Espace, could be the catalysts for an overall acceleration in the use of plastics in vehicles," says Michael Clark, research and development director (plastics) for Dow Europe, based in Zurich.

Even though the GM-300 itself uses plastic panels on an aluminium frame, it is already feasible to create a complete structure out of plastic composites, on to which could be designed all kinds of complex mounting points and structural reinforcement.

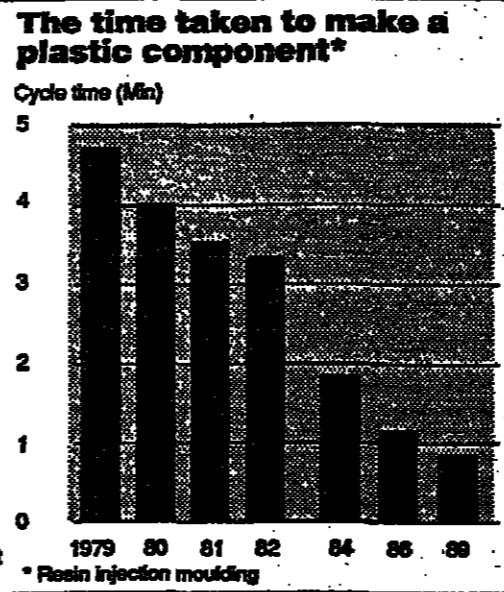
The significance of the GM-300 for the plastics industry is that it is intended for production at a rate of up to 225,000 units a year - more than twice the rate attempted for any other plastic-panelled vehicle. The suspicion is growing that under the tight secrecy GM has clamped over its greenfield Saturn car project, in Tennessee, a much-expanded use of plastic composites is also intended for the early 1990s.

Nevertheless, the GM-200 will be using SMC (sheet



The RTM process

Source: Dow Chemical Company



The plastic car gathers speed

John Griffiths reports on the changing outlook for auto materials

moulded bearing panels. And Dow executives conceded during a series of presentations that yet more sophisticated uses of plastics in car body construction, particularly for the volume car industry, are still obstructed by several factors. These include, according to Johan Spoelder, Dow Europe's director of automotive development:

- the heavy investments already made by the motor industry in steel-forming capital equipment, which require a long period to be amortised;
- the further progress that must be made on processes for high volume production;
- the need for enhancement of the physical properties of some of the thermoset and thermoplastic composites;
- the environmental issues raised by the need to recycle or otherwise dispose of used vehicle plastics in huge volumes. According to Clark, "too much optimism is being expressed about the ability to recycle automotive plastics."

While there is not much the plastics industry can do about steel plant amortisation, Javier Asensio, Dow Europe's operations manager, says that Dow has made substantial progress with processes for horizontal body panels, such as bonnets. These present particular problems because of the exposure to engine heat, the potential for sag and the need

for fine surface finishes. Long fibre-reinforced epoxy is acknowledged as a suitable material, but traditionally it has required hand laying-up which is entirely inappropriate for volume production. However, at its Tagerwilen research centre, near Zurich, Dow has developed a largely automated resin transfer moulding (RTM) process which is cutting cycle times significantly (see illustration).

This involves making a preform in the shape of the component before insertion into the mould, cutting mould-injection time from four minutes to around three seconds.

Thereafter, the preheated RTM tool is closed, an exact amount of resin injected and moulding completed. The Tagerwilen prototype production line should identify potential bottlenecks in larger-scale applications.

What makes RTM unique, according to Asensio, is its potential to produce sandwich body panels, using a pre-moulded foam core. Dow is already using this type of material on the limited-volume BMW Z1 sports car because it offers improved crash resistance and extra underbody space because of the reduced need for sound-proofing. Dow is setting up a partnership with a tooling manufacturer aimed at producing RTM parts at the rate of 60,000 units per annum within the next year.

Dow is also looking to RTM for development of a fully load-bearing plastic car. With its preforming process, RTM offers the ability to place the reinforcement precisely, to use a mix of cores - such as rigid urethane - for sound-proofing and other characteristics and, crucially, to make large parts weighing up to 70 kgs.

Meanwhile, in reaction injection moulding (RIM), improvements in quality and cycle time (see chart) are holding out the prospect of lightweight plastic body panels capable of "recovering" from dents.

More important from the manufacturing viewpoint, however, is that materials of this type, such as Dow's Spectrim, are moving close to paintability on line - withstanding long periods in paint ovens without deforming - and being produced in a cycle time of less than a minute.

Typical of progress, according to Dow, is that the cost of making a RIM bumper has halved since 1979 and the revolution is not over yet. The first use of polyurea RIM for a main body part will be for the front bumpers of the GM-300.

At the same time, Dow is developing, with Peugeot of France, fully on-line paintable bumpers and front fenders for Peugeot's 205 Gti model. Jacques Lanfranchini, director of Peugeot's plastics and composites department, warns, however, against expecting too

much too soon. "We have to be able to assure management that plastic can be of good quality, and do the job intended at the right cost. But most people are afraid - we're not getting enough management people thinking plastics." The wing-moulding project for the 205, he points out, was first begun in 1981.

Karl Juellig suggests that the reason for the more widespread application of plastics in the US motor industry is mainly one of a different cost balance between plastics and steel, compared with Europe. Opel, GM's European car subsidiary, "has ideas about making wings in thermoplastic or RIM, and also tailgates. But I do not envisage them in production tomorrow. Four years ago we tried doing a plastic tailgate, but cost-wise it was no alternative to metal."

As for the apparent contradiction between this view and what Opel's parent GM is doing with the GM-300, Juellig argues that the GM projects are being undertaken in dedicated plants or even, in the case of Saturn, greenfield factories. "You've virtually got to have a new plant to do major plastic projects effectively."

"In Europe, we've got a number of plants, but except for the Nova one in Spain we couldn't get a clean run at a project in the numbers needed in Europe. And the two production methods simply don't mix."

Hearing implant for the deaf

BERTIN, of France, has developed electronic implant technology to the point where it can restore partial hearing to those who are totally deaf. The hearing aid, called Minnac, uses a cochlear implant which can directly stimulate the auditory nerve.

Normally the cochlea, a spiral cavity in the inner ear, transmits sound to the auditory nerve via the coil organs at the end of each nerve. These act rather like the transducers of the engineering world in that they convert the mechanical vibrations of sound into electrical signals, which go to the brain to produce hearing.

In many cases of total deafness, the coil have been destroyed and the Minnac replaces them. A multi-channel device, it feeds electro-acoustic signals to 16 electrodes connected to small groups of auditory nerve endings.

The implant which stimulates the electrodes is only 0.3 in thick. It receives signals from an aerial behind the ear which is in turn fed by cable from a control box about the size of a personal stereo set. The box is able to pick up sounds via a microphone and turn them into signals.

Each group of the ear's auditory nerve endings deals with different sound frequencies, so initially the Minnac has to be adjusted to suit the patient. In two weeks, patients can learn to distinguish between vowels and consonants and within three months can understand single words and short sentences without reading the speaker's lips.

Minnac will be supplied by an Arabic marketing company called MKM.

WORTH WATCHING

Edited by Geoffrey Charlish

an hour, excluding printing time.

Applications Systems believes that, to date, the high cost of installing computers and software has been a serious disincentive to entering the card market.

A comeback for the canal

AFTER a gap of 84 years, a new canal may be built in the UK. A feasibility study is to be carried out by British Waterways for National Power, the larger of the two generating companies to be formed through the privatisation of the CEBG (Central Electricity Generating Board).

Where delivery speed is not important but large loads have to be carried on a continuous basis, canals are very cost effective since little energy is used in what is an almost frictionless system compared with road or rail.

The canal route to be studied is between British Coal's Gascolgne Wood site and Egborough power station, in North Yorkshire. Up to 6.5m tonnes of coal a year could be carried over the five-mile link.

British Waterways will study the route, construction and operation. Activity at the power station end will be examined by National Power and at the Gascolgne Wood end by British Coal.

Loading would probably be done by automated conveyor. Unloading might involve removing the barge from the water and emptying it by tipping, as at Ferrybridge power station where a similar canal terminates.

CONTACTS: MKM: France, 95 33143. Butler Cox: London, 031 6101. Application Systems: UK, 0262 625819. British Waterways Board: London, 262 6711.

New fields for plastic card

APPLICATION Systems, a UK consultancy and software house which concentrates on the credit card industry, has developed a personal computer-based product for companies that wish to issue up to 25,000 cards to their customers.

The product, called CMS (Card Management System), runs on an IBM PS/2 50-111. It can be arranged to suit most requirements and can come into operation within a few weeks.

CMS is similar to credit card systems based on mainframe computers. It can deal with the opening of accounts, issuing of cards, customer enquiries, processing of merchants' data, the production of statements for card holders and merchants, and similar activities. The software is available in English or German at present, but other languages are planned.

The company claims that CMS can deal with a customer enquiry or authorisation request in less than a second. It can sort and record 1,000 transactions in about two minutes, and processing statements for all the accounts takes about

A comeback for the canal

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COMPANY NOTICES

MHANGURA COPPER MINES LIMITED
(Incorporated in Zimbabwe)

INTERIM REPORT
Six months ended 31.12.88

	31.12.88	31.12.87	31.12.88	31.12.87
OPERATING RESULTS (Metric tons)				
Ore Milled				
Recoverable Copper				
Mturan	377 620	370 420	3 913	4 225
Norah	258 420	246 820	1 311	1 055
Total	636 040	617 240	5 224	5 280
Concentrates purchased			2 568	2 425
Smelter production			10 389	9 981
Refined copper produced			8 228	8 211
Sales - COPPER			6 168	5 225
- silver (kg)			7 799	10 094
- gold (kg)			111	128
FINANCIAL RESULTS (Z\$000s)				
Turnover	60 149	33 690		
Mining Profit	8 238	2 367		
Interest (net), sundry income less other expenditures	(2 118)	(1 995)		
Net Profit	6 143	721		
Net capital expenditure	2 892	673		
Profit per stock unit (cents)	32.7	3.7		

COMMENTS
The results for the six months ended 31 December 1988 have not been the subject of a full audit but have been reviewed for reasonableness by the company's auditors. The comparative figures for the six months ended 31 December 1987 have been adjusted to reflect the corrected position as disclosed to stockholders at the 42nd Annual General Meeting held on 22 November 1988.

Although the ore tonnages produced for the six months ended 31 December 1988 were at a similar level to the same period last year, the recoverable copper showed a decline of 11% due to lower grades being mined at both Mturan and Norah. Production related problems at the mines, especially Mturan, are being addressed and increased future ore tonnages mined are expected to offset the fall in grades.

The unit sales of copper were at a similar level to last year but in the case of silver and gold a decrease is shown. The decrease in sales of precious metals was mainly due to the December 1988 shipment of silver being re-scheduled and air freighted in January 1989. As a result, the silver and gold content of this shipment was not included in the sales figures for the six months ended 31 December 1988.

Turnover increased by 49% compared with the same period last year resulting in a net profit of Z\$6.1 million (up from Z\$0.7 million in the same period last year), and to the continuing depreciation of the Zimbabwe dollar against sterling.

Changes to the Board of Directors of the company are being announced, including the future representation of minority interests, and an announcement in this regard will be made shortly.

By Order of the Board
CFA INVESTMENTS LIMITED
London Secretaries,
per: R.S. Stuart

London, 16 February 1989

London Office: 38 Princess Gate Mews, SW7 2PR
Treasurer: Secretary: RAL House, 67 Savona Machel Avenue
Harare: 3rd Floor, RAL House, 67 Savona Machel Avenue
London: 6 Grosvenor Place, SW1P 1PL
Johannesburg: 154 Market Street, 2001.

NORDIC BANKING

The Financial Times proposes to publish this survey on:

29th March 1989

For a full editorial synopsis and advertisement details, please contact:

Chris Schaaming
on 01-248 8000 ext 3699

or write to him at:

Bracken House
10 Cannon Street
London
EC4P 4BY

or contact your local representative

FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER

New Zealand

US\$ 500,000,000
Floating Rate Notes Due 1993

In accordance with the description of the Notes, notice is hereby given that for the interest period from February 21, 1989 to August 21, 1989 the Notes will carry an interest rate of 9.813 % p.a.

The interest payable on the relevant interest payment date, August 21, 1989 against coupon #9 will be US\$ 49,328 per US\$ 10,000 nominal and US\$ 4,932.76 per US\$ 100,000 nominal.

The Reference Agent
KREDIETBANK
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NOTICE is hereby given that on Monday 27th February 1989 at 3.15 p.m. before His Honour Mr Justice Gorman in the Chancery Division, High Court of Justice, Grand Court, London, an Originating Summons (leave to apply) has been filed for the purpose of obtaining an order for the winding up of Global Natural Resources Plc. (the "Company") and certain individuals. The documents accordingly provide details for the manner in which, and the terms on which, the common stock of the U.S. Company held by the Trustee is to be dealt with for and on behalf of the "Outstanding Owners". These Outstanding Owners are those persons who were or are entitled to claim Global Natural Resources Inc. common shares or other trust assets or cash in exchange for bearer shares in Global Natural Resources Plc.

The application is being made by the Trustee for the following objects:

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The London Motor Conference
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6 March - London

Retailing in the 90s
- The Role of Technology
20 & 21 March - London

Financial Times/Price Waterhouse Capital Markets Workshops
3, 4 & 5 April, 8, 9 & 10 May, 26, 27 & 28 June - London

FT-City Course
10 April - 30 May - London

World Electronics
- Europe's Role in an International Industry
26 & 27 April - London

World Rail
8 May - London

Transport Links with the Continent
- Collaboration to meet the Challenges of Future Growth
9 & 10 May - London

European Banking
15 & 16 May - Venice

Regulating Europe's Financial Sector
23 & 24 May - London

Commercial Aviation and Aerospace
- Towards the Year 2000
6 & 7 June - Paris

Europe's Changing Industrial Landscape
- Meeting the Challenge of the 90s
12 & 13 June - London

International Publishing in the 90s
26 & 27 June - London

World Gold
26 & 27 June - Lugano

Please send me further details

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MANAGEMENT: The Growing Business

Waiting for the rice kettle to come to the boil

Whole Earth is at last poised to take advantage of Britain's eating revolution. Christopher Parkes reports

Craig Sams, managing director of Whole Earth Foods, founded his business-carrier on the prediction that British eating habits were destined to change. He correctly forecast that consumers' concerns with well-being would turn them away from conventional processed foods to a more "healthier" diet.

The snag was that his timetable for the brown rice revolution was almost 20 years away. But Sams proved patient. With a modicum of compromise, several changes of name and the occasional fumble, he has since attained his company's policy to the needs of mass market consumers and the demands of retailers.

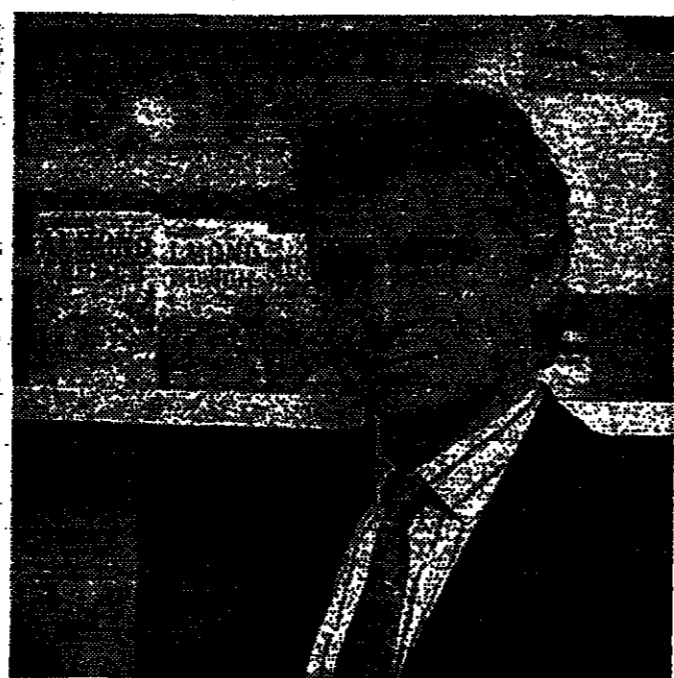
As a result Whole Earth's position in the food chain has been shifted from its lowly origins in dusty grain shops and a narrow market niche to the shelves of all the major multiple grocers.

When Sams, co-founder of Seed, London's first macrobiotic restaurant, made his forecast in 1967, he fully expected the battle to have been won within five years. With his brother, Gregory, he laid plans to storm the Kellogg's breakfast cereal bastion, ousting Rice Krispies with puffed brown rice.

Even now, although the presence of wholemeal bread, muesli, brown rice, aduki beans, organic and no-salt or sugar-free products on all supermarket shelves prove the soundness of his vision, there is still a long way to go.

But 35 per cent year-on-year turnover growth at Whole Earth in the past few years suggests the revolutionary process is accelerating as both suppliers and multiple retailers adapt to market demand.

The Sams enterprise has evolved through several incarnations. From its hippie-psychedelic origins as a purveyor of the yin-yang philosophy and bulk beans, under an assortment of names it has passed through



Craig Sams: a former hippy with a business degree

various stages in retailing, wholesaling, bread-baking and manufacturing to emerge as a supplier of a wide range of branded "natural" alternatives to conventional foods made to specification by established manufacturers.

This includes dressings, sauces, peanut butter, jam, baked beans, cola drinks and, latterly, pots of "instant" organic pasta.

In addition, with many small food suppliers, Sams found it difficult to break into the multiple chains. In the early days, when he was Britain's leading importer of brown rice, he convinced one leading supermarket that it should stock this new line only to see the buyer turn for supplies to Whitworth's, its existing supplier of polished rice.

He had a similar problem with a retailer which eagerly took his samples of Whole Earth sugar-free jam and promptly sent them off to Robertson's to be copied.

Unless the chains can be convinced of security of supply and guaranteed quality, they will always choose an established mainstream trade name - which is precisely what Whole Earth is becoming. They can get very rough if you let them know in any way," Sams says.

The company now stocks and distributes its entire range from a contract warehouse operation in Wythenshawe near Manchester, after several years of ad hoc arrangements. All products have been manufactured to specification by specialist manufacturers since Whole Earth finally gave up processing last year when it withdrew from a joint venture with a Liverpool flour miller.

Sams had decided that manufacture was best left to experts in their fields: a flour miller, for example, was not best qualified to make jam, and the growing range of products in Whole Earth's portfolio made it impossible for the company to be a specialist in such

Exporting Familiarity breeds confidence

By Charles Batchelor

Nigel Tyers, export shipping manager of Chiswell Wire Company, has turned out the documents needed for 19 different export orders in a day and a half. Shipping instructions, invoices, packing lists, certificates of origin and insurance - the piles of paper are daunting. "Sometimes they want 10 copies of things like invoices," he says. "The banks must paper the walls with them."

For companies like Chiswell, a Watford, Herts-based wire-maker which exports more than half of its £10m-plus turnover, the mass of paperwork that comes with selling abroad is a chore but a manageable one. For some growing companies, however, the prospect of filling in all those forms may actually hamper a move to exporting.



replaced more than 100 national documents required for customs clearance though in practice a single export deal might have required "only" 10 different documents.

"Someone in the pub hears a horror story about a letter of credit that went wrong so he decides not to export," says David Roots, managing director of International Software Marketing, an export consultancy and software supplier.

Anecdotal evidence like this is backed up by a recent British Overseas Trade Board (BOTB) survey, Into Active Exporting, which showed that paperwork ranked joint second as a major problem facing exporters. Also joint second was lack of information about markets and the unsuitability of their products for the market. Paperwork was perceived as the greatest difficulty by 14.4 per cent of companies polled, topped only by concerns about finance which were mentioned by 26.2 per cent.

Documentation was particularly a problem for the very smallest firms, the survey pointed out. "The prospect of administrative problems may well deter some non-exporters and passive exporters (who only make incidental sales abroad) from exporting," it noted.

The launch, in January 1988, of the Single Administrative Document (SAD), to cover all the export, transit and import documentation needed for European Community and many third country exports, was a step towards simplifying export procedures. The SAD

everything at the start," says Brian Burke, head of export services at the London Chamber of Commerce. "They just need to know enough to buy certain services from a bank or a freight forwarder economically and confidently."

Another solution is to computerise export administration. Several export documentation packages are available including SIFEX, a system which has been developed by SITPRO, The Simplified Trade Procedures Board, a Department of Trade and Industry-backed agency.

Nigel Tyers estimates that he has saved on average 33 hours' work a week since he computerised his export administration. The time taken to handle international export contracts has fallen from 45 minutes or more to just 10 minutes, he says.

In theory, the burden of official documentation on exporters should be reduced when Europe creates a single barrier-free market in 1992. If VAT rates are harmonised, the need even for the SAD should be removed since sales to other community members would in effect be domestic sales. But the British government's opposition to harmonising VAT rates may prevent this happening.

The implications of the single market for the SAD and export documentation should be clearer by summer, forecasts Tony Perry, an assistant director at SITPRO. But even if the SAD is no longer necessary, export documentation will remain something of a chore for the smaller company.

As in other areas, though, familiarity breeds confidence. "Successful exporters dismissed such matters as customs procedures and export documentation as nothing more than an administrative nuisance," said the BOTB survey. "Once the learning process had been gone through they were easily dealt with by routine office procedures and the use of intermediaries such as forwarding agents."

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LAND FOR SALE Paga-Oliva, Costa Blanca, North of Paga, south of Oliva (with its beautiful beaches & luxury 18 hole golf course) this 2.5 million m² of south facing elevated land enjoys sea, mountain and country views, with ample water. Electricity is close by. Access to excellent. Purchasable as a whole (250 plots) or in 50,000 m² plots (200 plots). Telephone 010 34 08171302 Fax 010 34 6 5791763.

LAND FOR SALE Paga-Oliva, Costa Blanca, North of Paga, south of Oliva (with its beautiful beaches & luxury 18 hole golf course) this 2.5 million m² of south facing elevated land enjoys sea, mountain and country views, with ample water. Electricity is close by. Access to excellent. Purchasable as a whole (250 plots) or in 50,000 m² plots (200 plots). Telephone 010 34 08171302 Fax 010 34 6 5791763.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

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OFFICE BUILDINGS AND RETAIL OUTLETS
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Also leaseback or management buy outs arranged on favourable terms.
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Entrepreneur planning to invest around £300,000 in either a manufacturing or service industry. Would prefer to buy a profitable going concern in or around London.
Please reply in confidence to: Box F8700, Financial Times, 10 Cannon Street, London EC4P 4BY

Established Satellite Television Company
Specialising in professional installations for large hotels any apartment blocks, seeks further equity funding and financial opportunities in a rapidly expanding market.
Write Box F8699, Financial Times, 10 Cannon Street, London EC4P 4BY

Manufacturing/Marketing Partners sought
by fast expanding businesses with innovative products.
For details of opportunities: VCR, Boston Road, Henley, Oxon RG9 1DY Tel: (0491) 579559

A Chartered Accountant
wishes to expand into Management Consultancy seeks partner or existing firm.
All proposals seriously considered.
Apply Box F8688, Financial Times, 10 Cannon Street, London EC4P 4BY

IRISH SOFTWARE DEVELOPMENT COMPANY (DOS & XENIX)
Seeks joint venture with UK Software/Marketing Company
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House Builder/Designer/Civil Engineer
of proven record and living in Kent seeks financial partner to take advantage of the many smaller development opportunities.
Please reply to Box F8673, Financial Times, 10 Cannon Street, London EC4P 4BY

PRODUCT WANTED

We are a sub-contract manufacturer to the Electronics Industry and are seeking to buy outright a product we can manufacture and sell to end users.

The right product will be fully developed and have a proven track record and an electronic content.
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Fax: 01-379 4463

Junior Exploration Company
Seeks further funding to develop its precious metals, base metals and industrial metals business in Europe. The company is a joint UK/German venture.
For further details please write to Box F8709, Financial Times, 10 Cannon Street, London EC4P 4BY

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or do you just need a second opinion?
We offer a full design, development, production engineering service
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FOR SALE
Natural Girl LTD (has not traded) together with registered trademark Natural Girl (for snacks)
Offers over £2,000
Write Box F8703, Financial Times, 10 Cannon Street, London EC4P 4BY

NORTH KENT ENTERPRISE ZONE
Freehold property investment opportunities. £15,000 to £1,365,000 (85% Capital Allowance).
Write Box F8710, Financial Times, 10 Cannon Street, London EC4P 4BY

CHINA TRADE LTD.
Excellent contacts in mainland China seeks additional UK companies to represent and/or source products.
Ring 01 493 4193. For further information.

BUSINESSES FOR SALE

BUSINESSES FOR SALE

The Corporate Special Services Department of Touche Ross have for sale the following businesses:
• a manufacturer of connectors for the electronics industry, principally sockets for semi-conductors. Based in South Wales, with a projected annual turnover of £2.4 million.
• an established executive air charter taxi company operating from Stansted, turnover £2.5 million, a fleet of owned/managed aircraft and high quality customer list.
• a cargo airline with first class reputation operating from Stansted, turnover £5 million and comprehensive CAA operating licences.
• a company operating as a manufacturer of spiral weld pipe mills located in Scotland and with an annual turnover of approximately £2 million.

For further information on any of the companies listed above please telephone or write to Adam Truon at the address below.
Touche Ross
33-34 Chancery Lane, London WC2A 1EW. Telephone: 01-405 8799.
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Long established, UK based trading organisation.

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principals or fully retained advisors reply to Box H4441 Financial Times, 10 Cannon Street EC4P 4BY

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1 million cubic feet cold store, completed 1985
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for further details contact:

Richard M. Selsby B.A., Messrs. Fladgate Fielder
Heron Place, 3, George Street, London W1H 6AD
Telephone: 01-486-9231 Fax: 01-935-7358

W H LOWRIE LIMITED (In Receivership)

Offers are invited for the assets and undertaking of the above long established company which operates throughout South West Scotland as a decorators' merchant and supplier of vehicle refinishing paint and sundries.

The head office of the business is in Ayr, with branches in Dumfries and Glasgow.

The assets include heritable property at each location consisting of office accommodation and warehouses; stock; and vehicles.

The company currently has 38 employees including a sales force of 4.

The wide customer base consists of both wholesale and retail customers for the decorative market, and garage and body shops for the vehicle refinishing products.

Turnover for the year ending October 1988 was of the order of £1.8 million.

For further details contact the Joint Receivers, Alastair W.I. White and D.D. McGruther, Grant Thornton, Chartered Accountants, PO Box 151, 112 West George Street, Glasgow G2 1QF. Tel: 041-332 7484, Fax: 041-333 0581, Telex: 777726.

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MANAGEMENT AND GENERAL BUSINESS CONSULTANCY COMPANY FOR SALE

- Well established business with high reputation and first class client list.
- Well known name.
- 10 employees
- 40 to 100 consultants in the field
- Annual turnover approx £1.3 million and profitable

For further information please contact Andrew Roberts, Grant Thornton, The Old Registry, Amersham Hill, High Wycombe, Buckinghamshire HP13 6NA

Tel: 0494 450781
Fax: 0494 26550

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BUTTLANE LIMITED (IN ADMINISTRATIVE RECEIVERSHIP) TRADING AS

Kitson Windows

The Joint Administrative Receivers offer for sale the business and assets of this well established double glazing manufacturer and installer.

- ▶ Annual turnover £17 million.
- ▶ Work in progress and current order book.
- ▶ Workforce of 35.
- ▶ Specialised plant.
- ▶ Long leasehold premises.

Interested parties should contact immediately:

A. R. Marlor FCA MPA, Arthur Young, Northam House, 12 New Bridge Street West, Newcastle upon Tyne NE1 8AD. Tel: 091 261 1063 Fax: 091 261 7744.

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL
Arthur Young is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

JAMES KENT LIMITED (In Receivership)

Established for over 100 years, the pottery business of James Kent Limited is located in freehold property in Longton, Stoke-on-Trent.

The company manufactures fine quality earthenware and sells to major retailers and distributors.

The company has a skilled workforce of 130 employees, and an annual turnover in the region of £2,000,000.

For further information contact the Joint Administrative Receivers, Allan Griffiths and Malcolm Sherson of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD. Telephone 061-834 5414. Fax 061-832 6042. Telex 667235.

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Prime retail locations in Southampton + Bournemouth
T/O £315,000 GP 63%
Price on Application
Contact Goodby & Harding 0202 299500

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Surrey based highly profitable firm for sale. Established for many years with strong client base, dealing with major UK companies. Turnover currently in the region of £1m. Considerable room for expansion. Offers sought for long leasehold premises, goodwill, fixtures, fittings and equipment. Existing management willing to remain for a period to be agreed, for continuity. Principals only write to: Howard S Markham & Company, Chartered Accountants, 10 Fernin Lane, Hampstead, London NW3 1QY.

Hopkinsons Limited

- One of the world's leading manufacturers of high pressure fluid valves.
- 145 year history in valve manufacture.
- Turnover in excess of £20m.
- Net Book Assets in excess of £10m.
- Established gross profit margins.
- Order book in excess of £15m.
- 20 acre freehold factory and office premises.

This is a unique opportunity to purchase business and assets of Hopkinsons Limited, a company involved in the manufacture of valves, actuators, boiler mountings and soot blowers. The company has a full order book for delivery of valves to well established users. It operates from a 20 acre freehold site located in Huddersfield, West Yorkshire, with easy access to the M62, M1 and M6 motorway networks.

For further information please write to: Alan Thompson, Group Financial Director Hopkinsons Holdings plc, Widdly Grove, Widdly, PA, Box 8523, Huddersfield HD2 2VA. Fax: 0484 517876. Telex: 571716.

Hopkinsons Holdings p.l.c.

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
KEITH D GOODMAN FCA and STEPHEN D SWADEN FCA

MUSITECH LIMITED

Offers are invited for the business, assets and goodwill of the above company, which supplies specialist technical services to the record industry, including the plating of record and compact disc masters and has dealt with such names as CBS, EMI and WEA. The operation is based in High Wycombe, Bucks and has a knowledgeable and experienced workforce. Current turnover is £250,000 pa.

Enquiries to: K D Goodman FCA or S D Swaden FCA
Leonard Curtis & Co, Chartered Accountants, 30 Eastbourne Terrace, London W2 6LF
Tel: (01) 262 7700 Fax: (01) 723 6059

Steel Stockholders & Processors

Oldbury, West Midlands

The business, business assets and goodwill of M C Metals Limited are offered for sale.
The company operates from rented premises at Oldbury, West Midlands specialising in processing and stockholding of steel in the engineering and construction industries.

Annual Turnover in excess of £1m

For further details please contact Jon Molenda, or David Wilson the Joint Administrators and Joint Supervisors at Deloitte Haskins & Sells, 35 Newhall Street, Birmingham B3 3JX. Tel: (021) 200 2828. Telex: 537839. Fax: (021) 200 2825.

Deloitte Haskins & Sells

Freehold Industrial Estate Gateshead, Tyne and Wear

The assets of Geo. Davidson and Co. Limited are offered for sale.

The assets comprise a freehold industrial estate subject to various tenancies.

For further details, contact Gordon Goldie or Edward Klempka, Joint Administration Receivers at Deloitte Haskins & Sells, Hadrian House, Higham Place, Newcastle upon Tyne. Telephone: 091 2612121. Fax: 091 2326534.

Deloitte Haskins & Sells

Plastic Injection Mouldings Manufacturer

Mid Glamorgan

The Business, Business Assets and Goodwill of B.C.S. Plastics Limited are offered for sale.

B.C.S. Plastics Limited is a leading Manufacturer and Supplier of high quality ready injection mouldings.

The Company operates a modern 5,000 sq. ft. leasehold factory at Llantrisant, employs 19; has an excellent customer base and current annual turnover of approximately £440,000 per annum.

For further details, contact Stephen J. Hall or the Joint Administrative Receivers, Richard A. Smart at Deloitte Haskins & Sells, Tudor House, 16 Cathedral Road, Cardiff CF1 6BW on (0222) 239944. Telex: 498109. Fax: (0222) 237720.

Deloitte Haskins & Sells

MARINE DESIGN COMPANY FOR SALE

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OFFERS ARE INVITED BY THE JOINT RECEIVERS FOR THE ASSETS OF THIS FULLY-EQUIPPED C.M.T. OPERATION:
- 65,000 sq ft of modern factory units in Warrington;
- Over 200 machines purchased new 87/88;
- Over 22m. invested;
- Peak Annualised turnover £2m;
- Peak workforce 247.

FOR SALE
Specialist Rubber Manufacturer for Industry
Highly profitable well-established Midlands Company with wide customer base and unbroken record of expansion.
The Company enjoys a strong Management Team and excellent trading prospects.
Principals only, please contact:
Burman & Co., Chartered Accountants, Trentham House, Red Lion Street, Alvechurch, Birmingham B48 7LF.

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The Barn Ruche Freehouse & Country Club, Watton, Thetford, Norfolk
Suitable many uses (subject to pp). Superb A1075 location. 52 acre restaurant. Lounge bar. Function room for 200, conference room. Manager's flat. Parking for 100.
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(0475) 566485

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MAJOR COMPUTER SYSTEMS COMPANY FOR SALE
The Company is leading IBM authorized dealer with several major accreditations. It is located in Southern England and has a substantial customer base including many major UK companies and public bodies. It is also involved in computer training maintenance and niche vertical software markets. Experienced management. Turnover £6 million.
Contact: Morris, Stewart-Brown & Co. Limited
8/9 Giltspur Street, London EC1A 9DE Tel: 01-248 2894

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All enquiries to: Box H4442, Financial Times, 10 Cannon Street, London EC4P 4BY

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Located in the West End available for sale due to the retirement of the Senior Partner. Offers will be considered for the whole enterprise.
Please reply in confidence to:
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Wambour House, Turo, TR1 2RF Tel: (06272) 74211
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ESTABLISHED STRUCTURAL STEELWORK COMPANY (SOUTH WEST ENGLAND)
Successful company with strong design & build capability for sale. Good profitability and excellent client base. 1988 Turnover £6m+. Extensive freehold premises & plant.
Principals only please contact:
Box H4472, Financial Times, 10 Cannon Street, London, EC4P 4BY.

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Family company based in the home Counties specialising in the export of electronic components and equipment. Established 15 years. Turnover December '88 £500,000+ profitable. Ideal opportunity for a distributor wishing to expand into overseas markets or for persons with a knowledge of sourcing components in the U.K.
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Write Box H4464, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE
North West based non-destructive testing and inspection company. Privately owned. 3000 square foot fabrication shop, X-ray laboratory 1000 square foot office block 1/4 acre freehold site. Existing contracts in operation. T.O. £400 to £500 thousand.
Write Box H4453, Financial Times, 10 Cannon Street, London EC4P 4BY

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Write Box H4463, Financial Times, 10 Cannon Street, London EC4P 4BY

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For Sale.
Write Box H4480, Financial Times, 10 Cannon Street, London EC4P 4BY

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Family owned business. South Bucks border. Main road position. Good account base. 68% gross profit.
Principals only write Box H4423, Financial Times, 10 Cannon Street, London EC4P 4BY

Long Established Glass & Double Glazing Co., N.W. Surrey.
Profits circa £75K. Offers in excess £150K. Phone Barker 661-7878

FOR SALE
Established small Light Engineering Business manufacturing own product. Located (M9) Lancashire. Strong asset backing Excellent Profit approx. £200K. Price £12.1M
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UPHOLSTERED FURNITURE MANUFACTURER TELFORD, SHROPSHIRE
The administrator of Dalis Upholstery Limited invites offers for the business and assets
- Leasehold premises - 12,500 sq ft
- Potential turnover - £3,000,000
- Blue-Chip customer list
- Plant and machinery, fixture and fittings, office equipment
- Skilled workforce
- Centralised location
For further details contact H.C. Brunt or R.P. Rendle of Kidsons, Bank House, 8 Cherry Street, Birmingham B2 5AD Tel: 021-691-2631
KIDSONS CHARTERED ACCOUNTANTS
Kidsons is authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business

BUSINESSES WANTED

MOTOR DEALERSHIPS URGENTLY REQUIRED
Expanding public company urgently requires motor dealerships. Single units or groups considered with franchises located anywhere in the UK.
Existing management will be retained. Particular interest would be a group with an ambitious Chief Executive and/or Financial Director who would be considered for Main Board appointments.
Applications to: David Courtman or Neil Crawford
Singer & Friedlander Ltd
Priestley House
3 Park Row
Leeds LS1 5LA

DO YOU OWN AN ENGINEERING BUSINESS?
Expanding manufacturer seeks to purchase Engineering Businesses in or near to South Wales.
Any Company with a turnover between £0.5 million to £5 million considered.
In the first instance, please write in confidence to Box H4468, Financial Times, 10 Cannon Street, London EC4P 4BY

WANTED: FURNACE MANUFACTURER
Rapidly expanding UK manufacturer of heat treatment equipment wishes to acquire a Midlands based furnace manufacturer or general fabricator and/or general engineering company with its own freehold premises and spare capacity. Ideally 15-20,000 sq ft.
Please apply in confidence to:
Box H4453, Financial Times, 10 Cannon Street, London EC4P 4BY

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Independent FIMBRA member active in the fields of investment managements, pensions and life assurance.
Sound management.
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PUBLIC COMPANY
Fully listed Southern based UK public company with manufacturing interests seeks to acquire a business whose management has proven manufacturing skills, an excellent profit record, and the ability to take over the operational responsibility for the enlarged Group.
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We would be pleased to hear from controlling directors and principals of companies with a minimum turnover £1m and pre-tax profits £100k, with no upper limits.
For a copy of our corporate brochure and further details please telephone PAUL HESKETH on 0622 53733

ACQUISITIONS REQUIRED
A progressive and diversified group of companies is seeking to expand its business base through acquisitions in the manufacturing sector.
We are looking for companies in the small to medium size range with pre-tax profits up to £1 million.
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NORTH WEST COMPANY
Will pay up to £2M for one or more businesses in marketing, distribution, or manufacturing of own products.
Strictest confidence observed.
Write Box H4458, Financial Times, 10 Cannon Street, London EC4P 4BY

Acquisitive Plc
Underwear manufacturer seeks small-medium sized companies in related product areas.
Write Box H4473, Financial Times, 10 Cannon Street, London EC4P 4BY

PROFITABLE COMPANIES WANTED
Small sized, diverse fully listed plc, pursuing a policy of growth organically and by acquisition. You will be the principal shareholder/manager of a private company probably in the services or leisure industries, who has developed a business with a solid customer/financial base and a good profit record which has now reached a minimum of £50,000 per annum before tax. You will want to capitalise on this effort whilst still retaining management responsibility and sharing in the future expansion/rewards.
Interested parties should write to:
Box F881, Financial Times, 10 Cannon Street, London EC4P 4BY

Waste Disposal

Quoted public limited company wishes to acquire waste disposal businesses. Preference for businesses having landfill sites and senior management keen to contribute to future growth.
Reply in confidence to: Managing Director, Box H4444, Financial Times, 10 Cannon Street, London EC4P 4BY

JOINEY MANUFACTURERS
If you have Joinery Manufacturing and assembly facilities using sheet materials i.e. MDF, chipboards and laminates we would welcome discussions with you. In the field of Retail Counters and specialist merchandising equipment we need to substantially increase our manufacturing capacity.
Either purchase of an existing business or joint cooperation in manufacturing would be considered.
Please send brief details.
Write Box H4446, Financial Times, 10 Cannon Street, London EC4P 4BY

DYNAMIC PLC
In high-growth industry, currently undergoing a substantial acquisition / development phase, seeks profitable high-quality printing and packaging businesses.
Minimum T/O £1m.
Write Box F8635, Financial Times, 10 Cannon Street, London EC4P 4BY

NON-FERROUS - STAINLESS SEMIS
UK Company wishes to acquire business holding sole agency, or sole distribution agreement for manufacturer, covering UK and Eire. Existing management/staff retained. Consideration also given to purchase of specialist stockholders.
Details in strict confidence.
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COMMODITIES AND AGRICULTURE

Coffee price fall triggers cut in export quotas

By David Blackwell

THE INTERNATIONAL Coffee Organisation cut its total world export quota by a nominal 1m bags yesterday after the indicator price fell below the 120 cents a lb defence level. Only about a quarter of the reduction will be applied immediately, however.

The cut came as delegates from producer and consumer nations met in London for the first day of a four-day meeting of the negotiating committee on the next coffee agreement. The current pact expires in September.

Brazil relaxes regulations

By John Barham in Sao Paulo

THE BRAZILIAN Coffee Institute's new export regulations came into effect yesterday, when it opened export registers for the second quarter.

Under the Institute's new rules, exporters will only have to retain one and a half bags (50 kg each) for every bag they export. They must carry the retained coffee for 45 days. Previously they had to retain two bags for a 60-day period.

The new regulations will apply until April 7 when they are to be further relaxed. As of April 10, exporters will only have to carry one bag for 30 days. The new arrangement lasts until June 5.

Table with 2 columns: Commodity, Price. Includes items like Aluminium, Copper, Lead, Nickel, Zinc, Tin, Silver.

Gold slide raises doubts about S. African mines

Jim Jones assesses the problems facing some operations which are already making losses

SOUTH AFRICAN concern about the slide in the gold price is rapidly turning into alarm. It's not just a matter of riding out a temporary price setback, it's now a question of how long some mines can survive.

At current gold prices and exchange rates a dozen major mines - East Rand Proprietary Mines, South Roodoppe, West Rand Consolidated, Western Areas, Consolidated Modderfontein, Durban Deep, Bracken, Harmony, Leslie, Sibfontein, Loraine and Blyvooruitzicht - which between them produce 15 per cent of South Africa's gold, are generating operating losses.

THE VENEZUELAN Government is not liquidating its monetary reserves of gold but is studying ways to raise money by pledging future delivery of gold taken from Venezuelan mines, the president of Venezuela's Central Bank said at the weekend.

Mr Pedro Tinoco, who took over as Central Bank president earlier this month, said that the Government thus far had received 12 offers from international financial institutions for raising money through future operations in gold.

for raising money through future operations in gold. He added that if current plans developed successfully, the Government would deliver the first shipment under a gold-backed loan in three years. He estimated that the gold volume would be about 25 per cent of national production at that time.

State assistance, a form of negative taxation designed to help marginal mines over temporary losses, was abandoned by the Government two years ago and is unlikely to be revived.

From one point of view the rand gold price is irrelevant. South Africa's foreign debt obligations are denominated in hard currencies, with gold accounting for about 40 per cent of the country's annual exports.

Totting up extras in the agricultural pay cheque

Why UK farmers are alarmed at what they see as an effort to mask a sharp fall in incomes

MR JOHN MACGREGOR, Britain's Minister of Agriculture, touched a raw nerve when he addressed the annual meeting of the National Farmers' Union in London last week.

For the second time in two months Mr MacGregor told a major farming conference - the first was at the Oxford Farming Conference in early January - that merely to count the difference between costs and output receipts to come up with an aggregate farm income figure was too narrow a calculation.

So far, so good; but he did not stop there and that is why the barking started. At Oxford, for instance, he went on to suggest that as much as 44 per cent of the income of farming households came from such sources and by implication that the fall in farm incomes of 25 per cent from 1987 to 1988 was, therefore, an unreliable figure and not as serious as it seemed.

The figures were modified slightly in the agriculture ministry's review of the industry - Agriculture in the UK 1988, published a couple of weeks ago. Quoting a survey of personal incomes conducted by the Board of Inland Revenue, the report stated that in 1986-87 less than two-thirds of total farm income came from farming.

To many farmers and the NFU this was adding the insult of recalculating the figures to the injury of a drastic drop in income. At the NFU meeting last week Mr Simon Gourlay, the union's president, said the Minister in no doubt set to have farmers' feelings.

Furthermore, the NFU claims that the inland Revenue figures are spurious and include many so-called agricultural holdings which are too small even to be registered. Of the 255,000 (44 per cent) are registered, 133,000 (44 per cent) are judged by the Ministry of Agriculture itself to be too small to provide their owners with a full-time occupation.



By David Richardson

What is not clear, however, is how activities like the provision of farmhouses, holidays, and other services should be treated. To what extent should the farmhouse be treated as part of the farm? And should the farmer's wife be able to claim what she earns from such enterprises as separate from the farm? Again, the answer may be related to the source of the capital used to set up the business.

Similarly, the original capital towards a pension fund or investments could presumably be said to be part of the farming wealth so long as they had been earned from the holding in the first place. But what if such sums had come from inheritance, and how would any capital gain be treated?

In other words, there are considerable areas which would take a gaggle of accountants and lawyers years to untangle. To my mind, however, where a farmer or member of his family earns money off the farm from some unrelated activity, this should not be calculated as part of the farm's income.

Behind all of the emotion, however, is the fear that Ed-

ing with the figures will be used to mask the reality of agricultural recession. Yes, of course, some farmers try to earn extra income if they are able. I even earn the odd crust myself from writing articles like this. But that does not alter the fact that it has become very difficult indeed, if not impossible, to make a profit from a growing number of farm commodities using normal farming assets.

Neither does it counteract the run-down of essential investment in machinery and buildings - now 40 per cent less than its average level over the past ten years. Outside earnings may enable a limited number of farmers to maintain a reasonable standard of living, but the very rich or very stupid would pour outside cash into enterprises which consistently lose money, and the fabric of the industry is beginning to fall apart.

One farmer in Mr MacGregor's own constituency of South Northamptonshire summed up the strength of feeling on the matter. He said: "I have voted Conservative all my life," he said, "but, if he starts playing those kinds of games, he won't get my vote again."

It will be interesting to see how many farmer voters in Thursday's by-election in Richmond, Yorkshire, take the same decision.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices on the LME continued to advance yesterday, with cash high grade metal closing at a record \$2,005 a tonne. The market went even higher in early trading, before easing in a quiet afternoon.

SPOT MARKETS

Table with 2 columns: Commodity, Price. Includes items like Crude oil, Gold, Silver, Platinum, Palladium, Aluminium, Copper, Tin, Zinc, Cattle, Sheep, Pigs, London daily sugar, Wheat, Rubber, Soybeans, Copra, Cotton, Wool.

COCCA 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Mar, May, Sep, Dec, and Mar.

COFFEE 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Mar, May, Sep, Dec, and Mar.

SHUGAR 5 (per tonne)

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Mar, May, Sep, Dec, and Mar.

WHEAT 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Mar, May, Sep, Dec, and Mar.

LONDON METAL EXCHANGE TRADED OPTIONS

Table with 5 columns: Commodity, Strike price, Mar, May, Jun, Sep. Includes data for Aluminium, Strife price, Copper, and Tin.

TEA

There were 17,105 packages on offer including 6,000 offshore, reports the Tea Brokers Association. A smaller quantity of Assams was well supported at about last rates with Pekoe duets continuing to be a strong feature.

LONDON METAL EXCHANGE

Table with 6 columns: Commodity, Close, Previous, High/Low, AM Official, Carb close, Open Interest. Includes data for Aluminium, Cash, Copper, Silver, Lead.

POTATOES 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Apr, May, Jun, and Oct.

SOYABEAN MEAL 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Apr, May, Jun, and Oct.

FREIGHT FUTURES \$10/index point

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec, Jan, Feb.

GRAINS 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Mar, May, Sep, Dec, and Mar.

LONDON SEASONAL MARKET

Table with 4 columns: Commodity, \$ price, £ equivalent. Includes data for Gold, Opening, Morning, Afternoon, Day's high, Day's low.

COKE 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Apr, May, Jun, and Oct.

STEEL 2/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Apr, May, Jun, and Oct.

CRUDE OIL \$/barrel

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Apr, May, Jun, and Oct.

GAS OIL \$/tonne

Table with 4 columns: Date, Close, Previous, High/Low. Includes data for Apr, May, Jun, and Oct.

UN food agency rises to the challenge of wheatless bread

Diane Weathers on a breakthrough that could bring a welcome reduction in Third World import bills

THIRD WORLD consumers are in love with commercial white bread. It's convenient, comparatively cheap and a good source of energy. But if researchers with the Rome-based UN Food and Agriculture Organisation have their way, in the years ahead, bread sold in developing countries will be labelled "whole cassava", "whole yam" or some other locally produced product - anything but "whole wheat".

The problem is that wheat, the basic ingredient of leavened bread, doesn't grow in most developing countries and must be imported from abroad. For 1988-89, according to FAO forecasts, wheat imports into these countries are expected to rise to 70m tonnes, despite higher prices caused by the drought which reduced North American harvests.

For years, experts in Third World agriculture have been searching for ways to make traditional crops more commercially viable and to wean poorer nations off their growing dependency on food imports. That search inevitably led them to explore new ways of baking bread using locally produced ingredients.

What we had to do was figure out how you would make bread if wheat hadn't been invented," explains Mr Martin Satti, Chief of the Organisation's Food and Agriculture Industries Services.

The biggest dilemma was finding a local substitute for wheat gluten. Mr Satti, a veteran of the Canadian wheat and baking industries, boasts he is a "man who knows wheat gluten." The substance, he explains, naturally found in wheat, forms a film over the gases released by

yeast as it ferments. That in turn gives the "rising power" of the dough. Other flours, although lacking in gluten, do contain starch which when cooked for a period of time in water is transformed into a thick and gooey gluten-like substance which Mr Satti suspected could function in a similar manner.

Senegal's Rural Development Minister, Mr Cheikh Niakh, called for continuous co-ordination between the Maghreb and sub-Saharan Africa when opening a two-day ministerial meeting of OICLAF, the 10-member West African desert-locust control body.

The present infestation (in North and West Africa) is expected to explode in May at the onset of the next rainy season," Mr Ciesko told the ministers, who are preparing for a one-day heads of state meeting in Dakar on Thursday.

Locusts, breeding on both sides of the Sahara desert, last year destroyed thousands of hectares of farmland in North and West Africa.

FAO experts believe that urban consumption has increased many more times than that, relegating the humble yam, cassava and other traditional products to the status of "country" foods consumed mainly in rural areas by farmers who grow their own.

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FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information, including columns for company names, unit prices, and other financial data. The table is organized into several sections: 'OTHER UK UNIT TRUSTS', 'INSURANCES', and various individual trust listings.

OTHER UK UNIT TRUSTS

Table listing various UK unit trusts under the 'OTHER UK UNIT TRUSTS' section, including names like 'Windsor Trust', 'Wright Settlement Fund', and 'The Venture Unit Trust'.

INSURANCES

Table listing insurance-related unit trusts, including 'AN Fraternal Society', 'Alley Life Assurance Co Ltd', and 'Allied British National'.

Main body of the table containing detailed unit trust information, including columns for company names, unit prices, and other financial data. This section includes various insurance and investment trusts.

Vertical text on the right edge of the page, likely a page number or reference code.

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Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for Jersey, Guernsey, and Luxembourg authorized funds.

MANAGEMENT SERVICES

Table listing management services with columns for Name, Address, and Contact Information.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas funds with columns for Name, Price, and Yield.

GUERNSEY AUTHORIZED

Table listing Guernsey authorized funds with columns for Name, Price, and Yield.

LUXEMBOURG AUTH'D

Table listing Luxembourg authorized funds with columns for Name, Price, and Yield.

OTHER OFFSHORE FUNDS

Table listing other offshore funds with columns for Name, Price, and Yield.

BERMUDA AUTHORIZED

Table listing Bermuda authorized funds with columns for Name, Price, and Yield.

OFFSHORE INSURANCES

Table listing offshore insurance products with columns for Name, Price, and Yield.

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Handwritten note: "Not in list"

Main table of unit trusts, organized by region: UK & Ireland, North America, Europe, and others. Columns include fund name, price, and performance metrics.

BRITISH FUNDS

Table of British Funds, categorized by type: "Shorts" (lives up to five years), Five to Fifteen Years, and Over Fifteen Years. Includes fund names and performance data.

BRITISH FUNDS - Contd

Continuation of British Funds table, including Index-Linked and other fund categories.

AMERICANS

Table of American unit trusts, listing various funds and their performance.

INT. BANK AND O/S'S

Table of International Bank and Overseas Securities funds.

CORPORATION LOANS

Table of Corporation Loans funds.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans funds.

LOANS

Table of various Loan funds, including Building Societies, Public Board and Ind., and Foreign Bonds & Rails.

Continued on next page

UNIT TRUSTS

Table of Unit Trusts, listing various funds and their performance.

UNIT INVESTMENT

Table of Unit Investment funds, including various international and domestic options.

UNIT TRUSTS

Table of Unit Trusts, listing various funds and their performance.

Money Market Trust Funds

Table of Money Market Trust Funds.

Money Market Bank Accounts

Table of Money Market Bank Accounts.

UNIT TRUST NOTES

Notes regarding unit trusts, including information on fees and performance.

LONDON SHARE SERVICE

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CANADIANS

Table of Canadian stock prices including companies like Alcan, Inco, and Noranda.

BUILDING, TIMBER, ROADS

Table of Building, Timber, and Roads stock prices.

ELECTRICALS

Table of Electrical stock prices.

ENGINEERING—Contd

Table of Engineering stock prices (continued).

INDUSTRIALS (Miscel.)—Contd

Table of Industrial (Miscellaneous) stock prices (continued).

INDUSTRIALS (Miscel.)—Contd

Table of Industrial (Miscellaneous) stock prices (continued).

BANKS, HP & LEASING

Table of Banks, HP & Leasing stock prices.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics stock prices.

FOOD, GROCERIES, ETC

Table of Food, Groceries, etc. stock prices.

Hire Purchase, Leasing, etc.

Table of Hire Purchase, Leasing, etc. stock prices.

DRAPERY AND STORES

Table of Drapery and Stores stock prices.

HOTELS AND CATERERS

Table of Hotels and Caterers stock prices.

BUILDING, TIMBER, ROADS

Table of Building, Timber, and Roads stock prices.

ENGINEERING

Table of Engineering stock prices.

INDUSTRIALS (Miscel.)

Table of Industrial (Miscellaneous) stock prices.

INSURANCES

Table of Insurance stock prices.

LEISURE

Table of Leisure stock prices.

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LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

Handwritten note: "John Smith"

LEISURE - Contd

Table of share prices for Leisure sector including companies like Leisure Group, Leisure World, etc.

PROPERTY

Table of share prices for Property sector including companies like Property Group, etc.

TEXTILES - Contd

Table of share prices for Textiles sector including companies like Textiles Group, etc.

TRUSTS, FINANCE, LAND - Contd

Table of share prices for Trusts, Finance, and Land sector including companies like Finance Group, etc.

OIL AND GAS - Contd

Table of share prices for Oil and Gas sector including companies like Oil Group, etc.

MINES - Contd

Table of share prices for Mines sector including companies like Mines Group, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors and Aircraft Trades sector including companies like Motors Group, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land sector including companies like Finance Group, etc.

TOBACCO

Table of share prices for Tobacco sector including companies like Tobacco Group, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land sector including companies like Finance Group, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector including companies like Overseas Group, etc.

PLANTATIONS

Table of share prices for Plantations sector including companies like Plantations Group, etc.

COMMERCIAL VEHICLES

Table of share prices for Commercial Vehicles sector including companies like Commercial Group, etc.

COMPONENTS

Table of share prices for Components sector including companies like Components Group, etc.

FINANCE, LAND, ETC

Table of share prices for Finance, Land, etc. sector including companies like Finance Group, etc.

MINES

Table of share prices for Mines sector including companies like Mines Group, etc.

MINES

Table of share prices for Mines sector including companies like Mines Group, etc.

MINES

Table of share prices for Mines sector including companies like Mines Group, etc.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers and Publishers sector including companies like Newspapers Group, etc.

SHIPPING

Table of share prices for Shipping sector including companies like Shipping Group, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather sector including companies like Shoes Group, etc.

OIL AND GAS

Table of share prices for Oil and Gas sector including companies like Oil Group, etc.

FINANCE

Table of share prices for Finance sector including companies like Finance Group, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional and Irish Stocks including companies like Regional Group, etc.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, and Advertising sector including companies like Paper Group, etc.

SOUTH AFRICANS

Table of share prices for South Africans sector including companies like South Africans Group, etc.

TEXTILES

Table of share prices for Textiles sector including companies like Textiles Group, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land sector including companies like Finance Group, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector including companies like Overseas Group, etc.

PLANTATIONS

Table of share prices for Plantations sector including companies like Plantations Group, etc.

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of 5/95 per annum for each company.

FOREIGN EXCHANGES

Sterling manages small rally

STERLING AND the Australian dollar attracted most attention during a lacklustre day on the foreign exchanges. The US dollar drifted higher, in very thin trading, with US markets closed for Presidents Day.

The pound opened weak in London, responding to publication in the morning Press of a pessimistic survey from the Confederation of British Industry. Sterling opened at the day's low of around DM3.2450, as the CBI painted a gloomy picture of the prospects for British exports, and continued upward pressure on prices.

This proved to be the day's low however, as the pound survived, without much further movement, figures on UK money supply and bank lending for January. These were rather a mixed bag, but were generally regarded as disappointing, although the net impact on the pound was limited. A fall of 0.6 per cent in M0 money supply growth was towards the lower end of expectations, even though it showed a sharp contraction from the rise of 0.9 per cent in December.

A rise of £5.5bn in bank and building society lending (M4) was about \$2bn above most forecasts, and £1.5bn higher than in December. Dealers suggested that the figures did not point towards

any immediate danger of higher UK bank base rates, but did not bring a cut in rates any nearer. Sterling showed a partial recovery to close at DM3.2500, compared with DM3.2625 on Friday. It also fell 1 1/4 cents to \$1.7635, and declined to Y223.00 from Y223.75; to SFY2.7625 from SFY2.7700; and to FFR1.0750 from FFR1.1050. According to the Bank of England the pound's exchange rate index opened 0.4 lower at 97.6, and closed at 97.7.

Short covering in a quiet market provided the dollar with support, as dealers waited for comments from Mr Alan Greenspan, chairman of the US Federal Reserve Board. Mr Greenspan gives testimony before Congress today, and the market will be looking for any hint of a further tightening in US monetary policy. The dollar rose to DM1.8435 from DM1.8370; to Y126.45 from Y126.00; to SFY1.5670 from SFY1.5595; and to FFR6.2800 from FFR6.2525. On Bank of England figures the dollar's index rose to 66.7 from 66.5.

The Australian dollar remained under pressure, falling to \$1.90 US cents at the close in London, from 82.00 cents in Sydney, amid indications that the Australian authorities intend to prevent the currency from recovering. Mr Paul Keating, the Australian Treasurer, indicated last week that he had no intention of standing in the way of a decline in the value of the Australian currency, when it began to weaken after a sharp deterioration in Australia's January trade deficit.

In early London trading the Australian dollar rose to 82.40 cents, where dealers reported intervention from the Reserve Bank of Australia. It was earlier rumoured in Sydney that the Reserve Bank was in the market, selling the local currency at around 81.70 US cents.

Estimated volume total, Cals 857 Pals 1237 Previous day's open Cal: 135 Pals 2752

Estimated volume total, Cals 857 Pals 1237 Previous day's open Cal: 135 Pals 2752

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FINANCIAL FUTURES

Weaker tone on money data

SHORT STERLING prices lost ground in life trading yesterday after UK money supply data for January disappointed the market. The June contract - now the most widely traded - moved a shade closer to convergence with its cash equivalent by shedding 15 ticks to close at 87.46, down from 87.60 at the start and 87.61 on Fri-

day. The contract's fall came quite late in the day, and followed a break through support at around the 87.55 level. As soon as this was broken, trading in the last two hours doubled the day's turnover to over 16,500 lots traded. Part of the downturn reflected growing unease about the position of

sterling as a high yielding currency. Many investors have been unsettled by the sharp decline in the Australian dollar - another high yielding unit. Prices in the tables below are for February 20 for London and February 17 for Chicago and Philadelphia. US markets were closed yesterday for Presidents Day.

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FINANCIAL FUTURES

Weaker tone on money data

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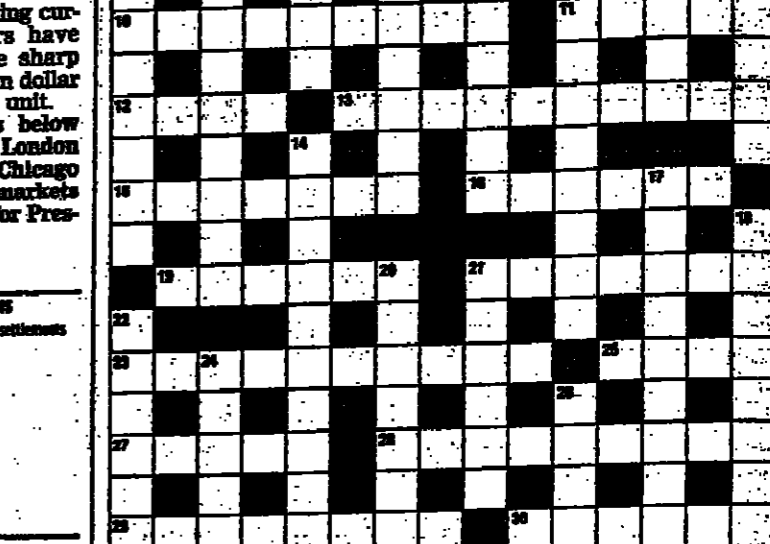
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CROSSWORD

No.6,866 Set by HIGHLANDER



- ACROSS
1. Trying to avoid discovery and a beating (6)
2. Less unusual in one lacking scholarship (5)
3. Equip graduates to take part in national performance (3)
4. It looks terrible but is said to be worth seeing (5)
5. Have inclination to aim (4)
6. That singer's special arrangement is put in order (10)
7. Not one of the two or three in confusion (7)
8. Charity gala produces fortune according to auditor (4)
9. Use that sort of shirt and socks, not these (5)
10. Holiday firm provides meal (3)
11. During term-time it produces much amusement (3)
12. Large-sheal meant expansion of waist-line (6)
13. Inflexible policy is tough on railway (4,4)
14. Be substitutive and it goes mad, completely beset (3)
15. Spick-and-span with nothing added (4)
16. Outside broadcast follows golf championship (4,3)
7. I'm coming back a miss-got involved with marriage-hater (10)
7. Near end of August the darkness appears (5)
8. Classification brings severe criticism (5)
9. Cannon is pulverising vessel (5)
14. Old driver given encouragement to contain a disturbance (10)
17. Team least likely to produce draw? (9)
18. Appointed by ballot after second choice (6)
20. Two army corps snaffle food (6)
21. Bad actor hired for Shakespeare part (6)
22. Which church is made of straw? (6)
24. Move stealthily around how line (6)
26. Miss out Sunday nap (4)

SOLUTION TO PUZZLE NO. 6,865
ACROSS
1. TROUBLE
2. UNUSUAL
3. NATIONAL
4. TERRIBLE
5. WORTH
6. AIM
7. ORDER
8. CONFUSION
9. AUDIT
10. SHIRT
11. MEAL
12. WAISTLINE
13. RAILWAY
14. BESIDE
15. SPICK
16. OUTSIDE
DOWN
1. MISS
2. SHIRT
3. SHIRT
4. SHIRT
5. SHIRT
6. SHIRT
7. SHIRT
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25. SHIRT
26. SHIRT

£ IN NEW YORK

Table with columns: Feb. 17, Close, Previous Close. Rows: £ Spot, £ 3 months, £ 12 months.

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Table with columns: Feb. 20, Previous. Rows: 8.30 am, 10.00 am, 11.00 am, Noon, 1.00 pm, 3.00 pm, 4.00 pm.

CURRENCY RATES

Table with columns: Feb. 20, Bank rate, Spot, 3 months, 6 months, 12 months. Rows: Sterling, US Dollar, Canadian \$, Australian \$, etc.

CURRENCY MOVEMENTS

Table with columns: Feb. 20, Bank of England, Morgan Guaranty, Change. Rows: Sterling, US Dollar, Canadian Dollar, etc.

OTHER CURRENCIES

Table with columns: Feb. 20, £, \$, DM, Yen, F Fr, S Fr, H Fl, Lira, C S, B Fr. Rows: Argentina, Australia, Brazil, etc.

MONEY MARKETS

Longer rates firmer

Longer term UK interest rates edged up slightly towards the close of trading yesterday in reaction to more than expected money supply data for January. The narrowly defined M0 fell less than expected, while M4 bank lending was well

assistance and a take up of Treasury bills, together with bills maturing in official hands draining £562m. These were offset by Exchequer transactions which added £140m; a fall in the note circulation of £440m, and banks' balances brought forward a nominal £5m above target. There was no assistance offered by the Bank during the morning. In the afternoon the forecast was revised to a shortage of around £50m, and the Bank gave assistance of just £1m through outright purchases of eligible bank bills in band 4 at 12 1/2 per cent. Late help came to £10m. Short-term interest rates were slightly lower in Frankfurt. Commercial banks are currently well placed to meet liquidity demands, and funds tended to come on offer for most of the day. The Bundesbank is expected today to announce terms for another sale and repurchase tender to offset a previous facility of DM8.4bn which expires tomorrow. Many traders do not expect the expiring agreement to be fully replaced. However, this should not be regarded as a further tightening in policy because commercial banks should have sufficient funds to accommodate a net draining of funds.

FT LONDON INTERBANK FIXING

Table with columns: 6 months US Dollars, 3 months US Dollars, 1 month US Dollars. Rows: Mar 91, Apr 91, May 91, Jun 91.

MONEY RATES

Table with columns: Treasury Bills and Bonds. Rows: 12-month, 24-month, 36-month, 48-month, 60-month.

NEW YORK

Table with columns: Overnight, One Month, Two Months, Three Months, Six Months, Lending Intervention. Rows: Front-run, Fed-fund, etc.

LONDON MONEY RATES

Table with columns: Overnight, 7 days notice, One Month, Three Months, Six Months, One Year. Rows: Interbank Offer, Interbank Bid, etc.

Treasury Bills (left): one-month 12 1/2 per cent; three months 12 1/2 per cent; Bank Bills (left): one-month 12 1/2 per cent; three months 12 1/2 per cent. Treasury Bills (right): one-month 12 1/2 per cent; three months 12 1/2 per cent. Bank Bills (right): one-month 12 1/2 per cent; three months 12 1/2 per cent.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Mar 89, Apr 89, May 89. Rows: GOLD C, GOLD D, GOLD P, etc.

BASE LENDING RATES

Table with columns: Bank Name, Rate. Rows: ABR Bank, ABE Bank, ABE Bank, etc.

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THE SAITAMA BANK, LTD. U.S.\$100,000 1% PER CENT CONVERTIBLE BONDS DUE 2002. ADJUSTMENT OF CONVERSION PRICE. NOTICE TO HOLDERS OF BONDS. The Saitama Bank, Ltd. (the "Bank") and Morgan Guaranty Trust Company of New York as the Trustee, dated 6th May, 1987, in connection with the above-mentioned Bonds (the "Trust Deed"), you are hereby notified as follows: 1. Pursuant to resolutions adopted at the meeting of the Board of Directors of the Bank held on 26th January, 1989, the Bank authorized a free distribution of shares of common stock of the Bank to the shareholders in the record as of 31st March, 1989 (Japan time) at the ratio of 0.025 new share per one share held. Accordingly, the Conversion Price of the above-captioned Bonds will be adjusted, pursuant to Condition 5(C) (7) of the Trust Deed, to 1,628.60 Japanese yen effective as of 1st April, 1989 (Japan time). 2. As a result of the above-mentioned adjustment of the Conversion Price of the Bonds, the adjusted Conversion Price (1,628.60 Japanese yen) will be applicable as from 1st April, 1989 (Japan time). The Saitama Bank, Ltd. Dated: 21st February, 1989.

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WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, France, Germany, Italy, Sweden, and Japan. Columns include stock names, prices, and changes.

Table of stock market data for various countries including Australia, Hong Kong, Singapore, South Africa, and Switzerland. Columns include stock names, prices, and changes.

Table of stock market data for Toronto, Canada. Columns include stock names, prices, and changes.

Table of stock market data for New York, Dow Jones. Columns include indices, prices, and changes.

Table of stock market data for Toronto, Canada. Columns include stock names, prices, and changes.

Table of stock market data for Tokyo, Japan. Columns include stock names, prices, and changes.

Table of stock market data for Montreal, Canada. Columns include stock names, prices, and changes.

Table of stock market data for various indices including Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, and Thailand.

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EUROPE

Milan climbs 1 per cent on party congress choice

MOST bourses ended higher but turnover was subdued by the holiday on Wall Street, writes *Charles Morris*.

MILAN rose strongly as investors welcomed the weekend choice of Mr Arnaldo Forlani as secretary of the Christian Democrat Party. The rise apparently reflected relief that the party congress had not been torn by disagreement over who should succeed Mr Ciriaco De Mita, the Prime Minister, as party leader.

Although Mr De Mita was strongly opposed to Mr Forlani, the latter is seen as a compromise candidate who should unite the party and help to keep the ruling coalition together, analysts said.

None the less, one analyst warned that the decision would not make it easy for Mr De Mita to push through the spending cuts needed to reduce the budget deficit.

Shares had picked up strongly after hours on Friday and the rise continued yesterday, although some prices came off in after hours trading. The Comit index rose 5.73, or just under 1 per cent, to 591.95, but trading remained fairly thin after Friday's low 1,650m.

Investors focused on the Ferruzzi group, when Montedison rose 1.50 to L2,060. Eridania gained L100 to L5,710 and Finanziaria was up L29 to L3,015.

ZURICH finished stronger, with investors choosing to focus on insurance stocks and ignore the banking sector. The Credit Suisse index added 1.5 to 650.9.

Among insurance stocks, Swiss Reinsurance bearers added Sfr100 to Sfr10,000. Zurich gained Sfr25 to Sfr4,425, but one analyst said its rise was restricted by fears of a possible rights issue to fund its Sfr4m acquisition, announced on Friday, of the US non-life insurer Maryland Casualty. The company has said there will be no capital increase.

UBS was the only leading bank to move much, with its bearers adding Sfr10 to Sfr3,150. It is due to report results this week.

Chemical stock Ciba-Geigy, expected also to release figures this week, rose Sfr15 to Sfr3,155. Sandoz added Sfr25 to Sfr10,100.

AMSTERDAM ended firmer with the DAX 100 index rising 1.16 to 1,319.91 in turnover of Dml1.9bn.

A more stable dollar took some of the nervousness about interest rates out of the market as investors awaited the next Bundesbank council meeting a week on Thursday. Foreigners were largely absent and domestic institutions inactive. "Toronto seems to have set in," said one salesman.

Deutsche Bank rose DM2.50 to DM515 as the subscription period to its 1-for-15 rights issue began. The rights traded at around DM3.90. Retail stocks had a buoyant day.

STOCKHOLM closed mixed, with the Affarsvarden general index up 1.1 to 1,076.1 on turnover of 1.1bn.

Alfa-Laval, agricultural technology group, said it was negotiating the purchase of West German meat processor Kramer and Grebe, an acquisition which Alfa-Laval said would make it a leading force in the meat processing market. It rose SKr10 to SKr510.

Skanska climbed SKr12 to SKr455 on revived rumours that its property assets are undervalued. The company does not publish its evaluation and does not permit external ones.

Forestry group Stora rose SKr5 to SKr375 on reports that it would benefit from a decision by Procter & Gamble to use a Stora specialty pulp.

HELSINKI prices reached an all-time high for the fourth trading day in a row. The Unitas all-share index rose L8 to 784.2 in moderate turnover worth Fmk9.7m.

Shares in Amer, the business group, were again suspended, and the company later announced it had signed an agreement to buy Chicago-based Wilson Sporting Goods for US\$200m. It said the deal would increase Amer's estimated net sales in the current financial year to Fm7.5bn.

BRISSELS continued the downward trend which started a week ago, with the cash market index falling 9.69 to 5,767.74 amid continued fears of further interest rate increases.

There were rumours on the trading floor that the Diet (Parliament) was about to be dissolved as a result of the Recruit Cosmos share sale scandal. Although on the surface such speculation appeared to be the trigger for the market's unimpressive performance yesterday, analysts were not convinced.

The high level of prices were a better explanation, said Mr Hiroshi Taguchi at Nomura Securities. The market had not really been affected by political matters in the past, and Mr Taguchi thought it was difficult to imagine that developments in the Recruit scandal would seriously undermine the present market's strength.

Interest was mixed yesterday with no particular sector showing outstanding gains. Steels were prominent in the most active list but only Sumitomo Metal, which was second in volume terms at 59.2m shares, scored a rise of Y2 to Y850.

Nippon Steel, the most actively traded issue, with 111.4m shares, closed unchanged at Y970, after rising Y10 to Y980. NKK was steady at Y1,030, although heavily traded, while Kobe Steel dropped Y9 to Y855.

Every capital shipbuilding, which opened the market on Friday's gains, succumbed to profit-taking yesterday. EBachi

Zosen declined Y87 to Y773 and Mitsubishi Heavy Industries fell Y10 to Y1,190. Mitsui Engineering and Shipbuilding decreased Y20 to Y840.

Strong gains were seen in some non-ferrous metals and construction. Mitsui Mining and Smelting, third busiest stock with 53.4m shares traded, added Y77 to Y919. Sumitomo Light Metal Industries was selected as a lagging issue and rose Y45 to Y850. Non-ferrous metals were popular on the increased demand for aluminium bear cans.

Taisei and Shimizu, leading construction companies which have been popular on expectations that future bullet train line and highway projects will boost their profits, both gained Y80 to Y1,730 and Y2,180 respectively.

Individually, Japan Steel Works surged Y200 to Y1,290 amid speculation that the company's shares are being bought up.

Nippon Telegraph and Telephone's (NTT) shares dropped another Y4,000 to Y1,640 as investors became discouraged about the future prospects of the company, particularly after the arrest of two former executives involved in the Recruit Cosmos scandal. There were also reports that the city of Tokyo had decided not to include NTT in its public projects.

DOMESTIC developments and corporate news aided the Australian and Hong Kong markets, while Singapore had a lacklustre day.

AUSTRIA benefited from the weakness of the local dollar, closing higher amid short-covering after last week's heavy losses. Resources and leading industrials with overseas earnings were especially popular.

The All Ordinaries index gained 24.5 to 1,473.3 and about 3.1m shares traded, rising 24 cents to AS7.08.

Gold stocks rose modestly in this trade, with North Kalguruil up 1 cent at 28 cents on turnover of 1.97m shares.

HONG KONG bounced higher after last week's consol-

idation and the Hang Seng index rose 53.59 to 3,159.84. Volumes reached HK\$1.7bn in value, similar to Friday's HK\$1.76bn.

Stellux was the session's busiest stock, rising 2.4 cents to HK\$3.57 after 10m shares were crossed at HK\$3.35. South China Securities Co confirmed it was an active buyer of the stock.

SINGAPORE opened the week on a quiet note, finishing narrowly in cautious trading, with Straits Times industrial index adding just 2.84 to 1,132.77.

Turnover fell to 28.3m shares from Friday's 38.5m with little news to inspire trading. Speculative and lower-priced stocks were most in demand, with DBS Land up 1 cent at S\$1.51 on turnover of 1.2m shares. United Paper rose 1 cent to S\$83.5 cents with 1.15m shares dealt.

TAIWAN had its busiest session this year, with volumes rising to 615m shares worth a 1989 record of T\$52.3bn, compared with T\$43.2bn worth of shares traded on Saturday.

WALL Street was closed yesterday for the President's Day holiday. In Canada, Toronto stocks added to early losses at mid-session. The composite index fell 14.4 to 3,596.4 as falling stocks outnumbered those rising by 302 to 210 on volume of 6.6m shares.

Among golds, Corona gained C\$1/4 to C\$87. Hemlo was unchanged at C\$12 1/2 after reporting lower earnings. Falconbridge lost C\$1/4 to C\$26 1/2.

In fairly thin trading, the CBS tendency index gained 2.2 to 166.0.

There was mixed corporate news, with steel maker Hoogovens rising F1 4.10 to F1 56.70 on Friday's announcement of the sale of Cementfabriek IJmuiden at a book profit of F1 260m. This was seen as removing the need for an equity issue, one analyst said.

Insurer Natived disappointed the market with news of a 1-for-10 rights issue, falling F1 1.20 to F1 63.70. Speculative and options-related trading drove insurer Aneve up F1 4.30 to F1 59 and transport group Nedloyd F1 8 higher to F1 300.

PARIS put in a quiet session on the final day of the February account, but while turnover was relatively low, share prices ended at the day's highs.

The CAC 40 index rose 20.09 to 1,632.82 and the OMF 50 index added 4.63 to 458.60. The end of the account, interest rate worries and the closure of Wall Street all had a dampening effect on volumes.

Eurotunnel saw the busiest trading once again, rising FFr5.30 to FFr69.90. Peugeot was also a feature, adding FFr56 to FFr1,525, helped by recent good news on its car sales.

Bongrain, the cheese maker, recouped some of last week's lost ground, rising FFr145, or 5.2 per cent, to FFr2,930 after news of its \$180m purchase of a US milk and cheese company.

SOUTH AFRICA

MODEST demand for select issues and continued weakness in the financial rand helped Johannesburg prices close slightly firmer. Gold shares firmed as the billion price climbed back above \$380.

Spain

Madrid SE Index

Aug 1988 Jan 89

The Government is still looking for 3 per cent this year, but most analysts regard this as optimistic. Yesterday's figure takes the annual rate to 6.3 per cent, with transport, medical service and food price rises largely responsible for the January increase. Probable government concessions to union wage demands are expected to contribute to higher inflation in coming months.

The release of last month's figures, which usually takes place on a Friday and was initially expected late last week, has fuelled some cynicism.

The inflation scenario is as much a Wall Street substitute as a legitimate worry, according to Mr Robert Maxwell, of Maxwell y Espinosa, the Madrid brokerage. If there were no interest rate worries then Wall Street would play the bugbear.

"People probably overplay the importance of it and don't see it in the light of inflation going up around Europe. It's a bit higher than the average in Europe, but this is the fastest

growing economy in Europe, so what the heck. When you have a post-war boom, you're going to have inflation."

He believes the inflation figure is exaggerated by the large weighting of food in the outdated consumer price index - based on 1974 prices - and by the fact that the index is not seasonally adjusted. During the summer months, the large influx of tourists and greater demand for food pushes food prices up sharply.

With the inflation cloud lifted for the next three weeks, share prices could see some sun - but there are always wage negotiations and Wall Street as inflation substitutes.

There were rumours on the trading floor that the Diet (Parliament) was about to be dissolved as a result of the Recruit Cosmos share sale scandal. Although on the surface such speculation appeared to be the trigger for the market's unimpressive performance yesterday, analysts were not convinced.

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from bourses was confused, and Friday's US trade figures came too late to reverse the broadly negative mood.

The nervousness infected all but Ireland, up 1.2 per cent and Norway, which shone out with a 4.4 per cent gain on the week, pushing it back into top place for this year. Norway, whose bounce last week came on top of a powerful January rally, is way ahead of other markets with a 23.4 per cent gain since the start of the year.

Italy was the only other European bourse to end the week higher, after shares recovered some ground at the start of the new monthly trading account.

France suffered the continued heaviest fall last week, losing 4.4 per cent as interest rate concerns were compounded by comments from President Francois Mitterrand attacking the takeover speculation that has driven the market in recent months.

South Africa continued its roller-coaster performance last week, falling 4.9 per cent in line with the very weak bullion price.

Battered Australia heads the losers' league

MARKETS IN PERSPECTIVE

	% change in sterling			
	1 Week	4 Weeks	1 Year	Start of '89
Austria	-0.42	+0.84	+10.71	+3.37
Belgium	-1.08	+0.96	+11.10	+2.10
Denmark	-2.81	+0.11	+4.99	+2.87
Finland	-4.95	+8.78	+22.74	+13.15
France	-4.95	-0.56	+88.08	+2.58
West Germany	-2.04	+0.41	+13.46	-0.92
Ireland	+1.16	+5.55	+28.29	+9.22
Italy	+0.94	-3.89	+14.00	-2.87
Netherlands	-0.82	-0.73	+11.73	+3.48
Norway	+4.33	+5.43	+55.55	+23.36
Spain	-2.25	-2.30	+5.58	-0.24
Sweden	-1.40	+3.11	+38.44	+6.79
Switzerland	-0.17	-0.51	-5.25	+0.52
UK	-0.72	+6.39	+19.06	+14.06
EUROPE	-1.27	+2.86	+17.06	+6.68
Australia	-13.26	-12.18	+32.13	-4.11
Hong Kong	-3.23	+7.57	+44.05	+18.24
Japan	+0.25	+2.55	+25.92	+5.83
Malaysia	-2.55	+4.61	+37.97	+11.72
New Zealand	-5.07	+4.36	+3.29	+10.11
Singapore	-2.67	+5.89	+35.18	+15.23
Canada	-0.96	+1.19	+16.00	+6.91
USA	+0.03	+4.21	+11.59	+8.71
Mexico	-2.48	-1.22	+7.71	+1.75
South Africa	-4.85	-0.65	-3.30	+7.82
WORLD INDEX	-6.40	+2.85	+19.15	+6.88

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ASIA PACIFIC

Profit-taking cuts short Nikkei's advance

Tokyo

THE WEEK opened on a firm tone for the equity market but fears of higher prices prompted profit-taking that led share prices to close with only a minimal gain, writes *Michiko Nakamoto* in Tokyo.

Last week's rising momentum continued in early trading, with the Nikkei average climbing steadily to reach a new high by mid-day. But following the recent pattern, high prices soon led to widespread profit-taking, with the Nikkei average shed its earlier gains to close up only 3.69 at 32,177.08 - still a new peak. The day's high was at 32,302.65, with a low of 32,092.04.

Declining issues led those that advanced by 515 to 359 while 213 issues were unchanged. Turnover at 1,158m shares was substantially lower than the 1,83m traded on Friday.

The overall market fell, with the Topix index at all listed shares off 2.96 at 2,470.37, while the ISE/Nikkei average rose 3.59 to 1,963.82.

There were rumours on the trading floor that the Diet (Parliament) was about to be dissolved as a result of the Recruit Cosmos share sale scandal. Although on the surface such speculation appeared to be the trigger for the market's unimpressive performance yesterday, analysts were not convinced.

The high level of prices were a better explanation, said Mr Hiroshi Taguchi at Nomura Securities. The market had not really been affected by political matters in the past, and Mr Taguchi thought it was difficult to imagine that developments in the Recruit scandal would seriously undermine the present market's strength.

Interest was mixed yesterday with no particular sector showing outstanding gains. Steels were prominent in the most active list but only Sumitomo Metal, which was second in volume terms at 59.2m shares, scored a rise of Y2 to Y850.

Nippon Steel, the most actively traded issue, with 111.4m shares, closed unchanged at Y970, after rising Y10 to Y980. NKK was steady at Y1,030, although heavily traded, while Kobe Steel dropped Y9 to Y855.

Every capital shipbuilding, which opened the market on Friday's gains, succumbed to profit-taking yesterday. EBachi

Zosen declined Y87 to Y773 and Mitsubishi Heavy Industries fell Y10 to Y1,190. Mitsui Engineering and Shipbuilding decreased Y20 to Y840.

Strong gains were seen in some non-ferrous metals and construction. Mitsui Mining and Smelting, third busiest stock with 53.4m shares traded, added Y77 to Y919. Sumitomo Light Metal Industries was selected as a lagging issue and rose Y45 to Y850. Non-ferrous metals were popular on the increased demand for aluminium bear cans.

Taisei and Shimizu, leading construction companies which have been popular on expectations that future bullet train line and highway projects will boost their profits, both gained Y80 to Y1,730 and Y2,180 respectively.

Individually, Japan Steel Works surged Y200 to Y1,290 amid speculation that the company's shares are being bought up.

Nippon Telegraph and Telephone's (NTT) shares dropped another Y4,000 to Y1,640 as investors became discouraged about the future prospects of the company, particularly after the arrest of two former executives involved in the Recruit Cosmos scandal. There were also reports that the city of Tokyo had decided not to include NTT in its public projects.

DOMESTIC developments and corporate news aided the Australian and Hong Kong markets, while Singapore had a lacklustre day.

AUSTRIA benefited from the weakness of the local dollar, closing higher amid short-covering after last week's heavy losses. Resources and leading industrials with overseas earnings were especially popular.

The All Ordinaries index gained 24.5 to 1,473.3 and about 3.1m shares traded, rising 24 cents to AS7.08.

Gold stocks rose modestly in this trade, with North Kalguruil up 1 cent at 28 cents on turnover of 1.97m shares.

HONG KONG bounced higher after last week's consol-

idation and the Hang Seng index rose 53.59 to 3,159.84. Volumes reached HK\$1.7bn in value, similar to Friday's HK\$1.76bn.

Stellux was the session's busiest stock, rising 2.4 cents to HK\$3.57 after 10m shares were crossed at HK\$3.35. South China Securities Co confirmed it was an active buyer of the stock.

SINGAPORE opened the week on a quiet note, finishing narrowly in cautious trading, with Straits Times industrial index adding just 2.84 to 1,132.77.

Turnover fell to 28.3m shares from Friday's 38.5m with little news to inspire trading. Speculative and lower-priced stocks were most in demand, with DBS Land up 1 cent at S\$1.51 on turnover of 1.2m shares. United Paper rose 1 cent to S\$83.5 cents with 1.15m shares dealt.

TAIWAN had its busiest session this year, with volumes rising to 615m shares worth a 1989 record of T\$52.3bn, compared with T\$43.2bn worth of shares traded on Saturday.

Australia

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Japan ended almost back where it started after a volatile week in which nervousness over the ruling party's by-election defeat and the widening Recruit Cosmos share scandal alternated with persistent strong demand, fuelled by high liquidity and relief at the yen's recovery against the dollar.

The world's other leading markets, the US and the UK, also showed little change overall, although that masked a recovery from a nervous start to a more confident finish once the US trade figures for December proved to be safely in line with expectations.

In Europe, most markets spent the week dreading bad news which never materialised, first on interest rates and then on the US trade deficit. When the Bundesbank failed to raise the Lombard and discount rates at its Thursday council meeting, the reaction

By Alison Maitland

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Profit-taking cuts short Nikkei's advance

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Madrid deflated by inflation malaise

THE monthly wait for the Spanish inflation rate finally came to an end around lunch-time yesterday, releasing the Madrid bolso from a stranglehold which lasted for more than a week.

News of the 1 per cent rise in inflation in January was generally well received, with share prices edging higher in the after market. Most stock prices had been fixed before the inflation news, and the general index ended the day just 0.03 lower at 273.17.

It was the interminable wait which took its toll on trading; the market fell by 2 per cent over the previous five sessions, with foreigners following domestic investors in the sidelines and daily turnover dropping to a low \$65m.

The monthly malaise has been cropping up since early last summer, when it became clear that the Government would not be able to stick to its annual inflation rate target of 3 per cent. The actual year-on-year figure was 5.8 per cent.

The Government is still looking for 3 per cent this year, but most analysts regard this as optimistic. Yesterday's figure takes the annual rate to 6.3 per cent, with transport, medical service and food price rises largely responsible for the January increase. Probable government concessions to union wage demands are expected to contribute to higher inflation in coming months.

The release of last month's figures, which usually takes place on a Friday and was initially expected late last week, has fuelled some cynicism.

The inflation scenario is as much a Wall Street substitute as a legitimate worry, according to Mr Robert Maxwell, of Maxwell y Espinosa, the Madrid brokerage. If there were no interest rate worries then Wall Street would play the bugbear.

"People probably overplay the importance of it and don't see it in the light of inflation going up around Europe. It's a bit higher than the average in Europe, but this is the fastest

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 17 1989				THURSDAY FEBRUARY 16 1989				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	133.19	-3.3	111.18	108.29	4.95	137.78	115.34	108.68	157.12	91.16	98.51
Austria (18)	97.36	+0.9	81.28	92.82	2.65	96.51	80.79	92.41	100.00	83.72	86.61
Belgium (62)	135.42	-0.1	113.05	129.24	3.99	135.60	113.51	129.91	139.89	99.14	120.05
Canada (129)	134.24	-0.2	112.04	115.68	3.23	134.83	112.87	115.50	112.00	113.96	113.96
Denmark (39)	158.22	-0.2	132.08	153.81	1.92	158.48	132.67	154.76	161.60	111.42	115.68
Finland (26)	145.38	+0.5	121.36	130.28	1.35	144.73	121.16	129.94	147.07	106.78	115.70
France (130)	115.93	-0.6	96.69	113.60	2.86	116.51	97.33	114.50	119.98	72.77	85.70
West Germany (102)	89.55	-0.1	71.42	81.70	2.30	89.67	71.72	82.06	90.40	67.78	74.27
Hong Kong (44)	129.78	+0.8	106.34	129.98	3.68	128.81	107.83	129.00	133.77	84.90	88.72
Ireland (17)	141.30	+1.5	117.96	137.31	3.68	139.23	116.55	135.76	144.25	104.60	108.47
Italy (96)	81.18	+0.7	67.77	81.49	2.48	80.62	67.49	81.10	86.88	62.99	70.13
Japan (496)	198.98	+0.5	164.10	188.48	0.47						